

Inqo Investments Limited

Press release



Group Results for the year ended 28 February 2023

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

Inqo Investments Limited ("Inqo" or "the Group") is a South African based social impact company that invests in businesses that tackle poverty and environmental challenges in Sub-Saharan Africa.

COMMENTARY

The Group remains in a strong financial position with total assets of R210,256,710 and minimal debt.

Subsequent to the financial year end, Inqo received an additional investment of R17,786,900 in the form of a convertible loan note (CLN) that was made by a new investor on 1st of March 2023. The net proceeds of the CLN and the balance of the funds that the group has available will be used for working capital and to execute a range of new potential investments that Inqo have identified in Sub-Saharan Africa that will have a positive impact on the environment and the poor. This set of investments includes the current Conservation and Rural Enterprise (CARE) project that will invest in several joint ventures around the Budongo Forest, Uganda, with the aim of tackling the links between poverty and environmental degradation such as deforestation for wood fuel use or bushmeat poaching. The first investment for the CARE project is a luxury tented eco-lodge within the Budongo forest which will begin construction in Q3 2023.

Like businesses around the world, the Group has been heavily impacted by the Covid-19 pandemic with reduced earnings and implementation of cost saving measures. The severity of the impact and speed of recovery has varied across investee companies. Despite the challenges being faced, the directors of the Company have assessed that the Company and its subsidiaries will continue as a going concern.

The results for the year under review showed revenue of R11,730,190 (February 2022: R3,872,007) with a profit after tax of R3,774,907 (February 2022: loss of R12,614,587). The primary reason for the profit before tax position is due to the grant income recognised between 1 September 2022 and 28 February 2023 for the cost of planting Spekboom cuttings on the property through the Reforest Action carbon credit contract.

The profit for the year is reported after the following income and cost items have been accounted for:

	<u>February 2023</u>	<u>February 2022</u>
<u>Other income</u>		
<u>Grant received:</u>		
Included in other income is grant received for the cost of planting Spekboom cuttings on the property in terms of the Reforest Action carbon credit contract between 1 September 2022 and 28 February 2023	9 090 000	-
<u>Operating costs incurred:</u>		
Depreciation & amortisation	3 790 520	3 295 251
Listing expenses	760 765	581 917
Directors' fees and salaries	736 000	696 000
Professional fees	593 633	629 847
Impairment & fair value adjustments	107 993	2 357 326
Provision for bad & doubtful debts	286 490	529 069

In February 2023, the directors of Inqo reviewed the valuation placed on all income earning assets to ensure that they reflect their fair value. Following the review, the directors are of the view that the Group assets as stated in the Balance Sheet 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 Kuzuko Lodge operation has not yet returned to pre Covid-19 occupancies and as a result is currently operating at a loss. It was therefore decided to make further provision in the Company for doubtful debt of R1,000,000. The current provision for doubtful debts now stands at a value of R2,750,937 against the total amount due of R3,581,895.
- The only non-South African company where Inqo held investments on 28th February 2023 that required assessment from a fair value adjustment perspective was Four One Financial Services Limited. The company has struggled financially but managed to remain operational, however in the process has defaulted on loan and interest repayments. The consequences of this are that the full loans made by Inqo with a value of R728,715 have been impaired and a provision for doubtful debts raised against interest owing of R1,057,292.
- The drought conditions that were experienced in the Eastern Cape in the 2021/2 financial year and up to September 2022 have ended resulting in a more productive breeding season and game sale values have also recovered. The result is that the value of the buffalo herd has increased by R1,029,940 and the impairment against the cost of game has been reduced by R767,774.
- Kuzuko Lodge has experienced a difficult trading year like so many of the other game reserves in the Eastern Cape. Kuzuko Lodge has not recovered its pre-Covid trading levels and as a result the directors have decided to further impair the company's investment in Kuzuko Lodge by an amount of R1,476,882.

The land and buildings were revalued by an independent valuer in March 2023 in accordance with Inqo's accounting policies. The fact that the Eastern Cape has recovered from the drought experienced in previous years and that there have been sales of farmland in neighbouring areas has resulted in the value of the land and buildings being increased by R19,099,877.

INVESTEE COMPANIES

- **Kuzuko Lodge (Pty) Ltd (South Africa)** is a subsidiary entity that operates a Five Star game lodge designed to create jobs in an area of high unemployment and limited opportunities. The Lodge is slowly returning to pre-pandemic occupancy rates, however the tourism industry in the Eastern Cape Province has been slower to recover than in other parts of South Africa. Kuzuko management are now exploring several new avenues for marketing the lodge, in particular around the current global focus on sustainability, and expect that bookings will increase in strength over the next 12 months.
- **Inqo Africa (Pty) Ltd**, is a wholly owned subsidiary formed on 27 October 2020 to facilitate with making investments in Kenya and Uganda.

- **Spekboom Trading (Pty) Ltd (South Africa)** is a subsidiary, which is currently rehabilitating degraded land on the Inqo Investments Limited property through reforestation using the indigenous Spekboom shrub. Spekboom Trading also has a licence to trade carbon credits. Spekboom Trading entered into a 30-year contract with an international carbon finance specialist, Reforest Action based in Paris, France, to restore 5,185 hectares of land on Inqo's property through planting of 25 million indigenous Spekboom cuttings. The project is progressing well with planting anticipated to be complete by December 2024.
- **Four One Financial Services Limited (Uganda)** is a financial services company offering specially designed products for the underserved low-income demographic in Uganda. Four One was particularly hard hit by the pandemic with its loan portfolio highly impaired resulting in a pivot towards property development. We are pessimistic about the outlook of the company due to the damage to their loan portfolio. We have provided for a full impairment of the loans payable but have not impaired the conversion loan note between the Company and Four One Financial Services.
- **Kentegra (Kenya)** is a Kenyan based biotechnology firm owned by the US holding company, Kentegra Biotechnology Holdings LLC, producing pyrethrum, a natural biocide and pesticide. The company has seen significant growth over the last 12 months and has continued to refine their factory processes. We are hopeful that the business will soon achieve a positive EBITDA.
- **South Lake Medical Centre – SLMC (Kenya)** is a private healthcare provider in the Naivasha region of Kenya serving predominantly low-income flower farm workers. Since investment SLMC has progressed well developing a major and minor surgical unit and a positive EBITDA. The outlook for SLMC is positive as we expect the surgical revenue to continue to grow.
- **Sanergy Incorporated (Kenya)** is a circular economy organic recycling business producing high protein animal feed from black soldier fly larvae in Nairobi, Kenya. Sanergy has continued to grow their business, refining their processes and exploring new markets for their animal feed and fertilizer. The outlook for Sanergy is positive.

STOCK EXCHANGE LISTING

The company is listed on the Aquis Exchange PLC (AIM:AQX) in London. Shares on AQSE will remain exempt from Capital Gains Tax and Inheritance Tax as they were on the NEX Exchange.

SUMMARY OF SOCIAL & ENVIRONMENTAL METRICS SINCE PROJECT COMMENCEMENT

- 35,617 acres (14,414 hectares) 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.
- All staff living at Kuzuko in standard housing with flush toilets, power, water and solar panels.
- Conservation of 3 endangered species.
- Kuzuko has re-wilded 14 adult cheetah and produced 10 cubs with diverse genetics to bolster the meta-population in southern Africa. Currently there are 4 orphaned cheetah cubs on the property being re-wilded.
- Reforestation of 500 acres (200 hectares) of degraded land with Spekboom plants providing work for 100 part-time staff and sequestering carbon in prior financial periods.
- 37 acres (15 hectares) of land between the reception area of the Lodge and the Lodge area has 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.
- 2,100+ voluntary low-income savers in micro-pension and loan schemes.
- 60,033 patient visits in the first 9 months of 2022 including 101 safe deliveries, 365 HIV patients receiving care and counselling, 644 infants immunised, and 28,762 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.
- The reforestation contract planting program, in terms of the contract signed on 5 August 2022 is in progress. 748 acres (303 hectares) of land have been planted with Spekboom cuttings by 28 February 2023. The project currently employs between 120 and 150 local previously unemployed individuals in the planting process.

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 year ended 28 February 2023. A copy of these audited financial statements will be available on the Company website by 31 August 2023.

DIVIDEND

The company has not declared a dividend for the year ended 28 February 2023.

K.S Tan
Chairman

C.J Bertie
Chief Financial Officer

Issued on: 7 August 2023

Inqo Investments Limited Group
Condensed consolidated statement of profit or loss and other comprehensive income
For the year ended 28 February 2023

	Group		Company	
	2023 R	2022 R	2023 R	2022 R
Revenue	11 730 190	3 872 007	952 647	386 160
Cost of sales	(1 514 608)	(648 136)	-	-
Gross profit	10 215 582	3 223 871	952 647	386 160
Other income	11 198 922	360 072	10 076 244	360 072
Personnel expenses	(5 813 170)	(4 022 886)	(905 084)	(826 680)
Depreciation & amortisation	(3 790 520)	(3 295 251)	(3 395 008)	(2 777 934)
Listing expenses	(760 765)	(581 917)	(760 765)	(581 917)
Professional fees	(593 633)	(629 847)	(593 633)	(629 847)
Bad debt	(231 385)	-	(231 385)	-
Provision for doubtful debts	(286 490)	(529 069)	(1 286 490)	(1 043 193)
Impairment and fair value adjustment	(107 993)	(2 357 326)	(1 584 875)	(2 357 326)
Selling and administrative expenses	(9 339 646)	(6 559 034)	(1 938 776)	(1 476 856)
Operating profit/(loss)	490 902	(14 391 387)	332 875	(8 947 521)
Inventory write-up (down)	767 774	(186 464)	767 774	(186 464)
Fair value adjustment	1 029 940	56 933	1 029 940	56 933
Net financing income	336 967	299 547	1 046 262	783 326
Finance income	506 642	460 595	1 087 555	811 063
Finance expense	(169 675)	(161 048)	(41 293)	(27 736)
Profit/(loss) before taxation	2 625 583	(14 221 371)	3 176 851	(8 293 726)
Taxation	1 149 324	1 606 784	1 149 324	1 606 784
Profit/(loss) for the year	3 774 907	(12 614 587)	4 326 175	(6 686 942)

Inqo Investments Limited Group
Condensed consolidated statement of profit or loss and other comprehensive income
For the year ended 28 February 2023

	Group		Company	
	2023 R	2022 R	2023 R	2022 R
Profit/(loss) attributable to:				
Equity holders	3 862 532	(12 380 267)	4 326 175	(6 686 942)
Non-controlling interest	(87 625)	(234 320)	-	-
	<u>3 774 907</u>	<u>(12 614 587)</u>	<u>4 326 175</u>	<u>(6 686 942)</u>
Other comprehensive income - Items that will not subsequently be reclassified to profit or loss:				
Revaluation of land and buildings	18 904 001	-	18 904 001	-
Deferred tax on revaluation	(4 226 189)	-	(4 226 189)	-
Total other comprehensive income for the year	<u>14 677 812</u>	<u>-</u>	<u>14 677 812</u>	<u>-</u>
Total comprehensive income for the year	<u>18 452 719</u>	<u>(12 614 587)</u>	<u>19 003 987</u>	<u>(6 686 942)</u>
Total comprehensive income attributable to:				
Equity holders	18 540 344	(12 380 267)	19 003 987	(6 686 942)
Non-controlling interest	(87 625)	(234 320)	-	-
	<u>18 452 719</u>	<u>(12 614 587)</u>	<u>19 003 987</u>	<u>(6 686 942)</u>
Earnings/(Loss) per share (rand)	0.27	(0.85)		
Diluted Earnings/(loss) per share (rand)	0.27	(0.85)		

Inqo Investments Limited Group
Condensed consolidated statement of financial position
At 28 February 2023

	Group		Company	
	2023 R	2022 R	2023 R	2022 R
Assets				
Non-current assets	163 310 393	137 275 303	176 080 324	148 514 260
Property, plant and equipment	154 054 726	128 440 653	152 888 843	128 088 946
Intangible assets	1 840	3 622	-	-
Right of use asset	236 171	362 693	-	-
Trade and other receivables	-	-	849 417	1 167 288
Loans to subsidiaries	-	-	14 990 626	10 979 026
Other investments	9 017 656	8 468 335	7 349 935	6 800 615
Investments in subsidiaries	-	-	1 503	1 478 385
Current assets	46 946 317	10 396 005	44 423 723	8 303 721
Inventories	4 862 236	4 058 788	4 194 454	3 426 680
Trade and other receivables	3 124 989	2 743 619	1 710 486	2 298 950
Biological assets	2 788 980	2 921 627	2 788 980	2 009 040
Cash and cash equivalents	36 170 112	671 971	35 729 803	569 051
Assets held for sale	-	1 333 287	-	1 333 287
Assets held for sale	-	1 333 287	-	1 333 287
Total current assets	46 946 317	11 729 292	44 423 723	9 637 008
Total assets	210 256 710	149 004 595	220 504 047	158 151 268
Equity and liabilities				
Capital and reserves				
Share capital	72 584 925	72 584 925	72 584 925	72 584 925
Share premium	87 585 270	87 585 270	87 585 270	87 585 270
Revaluation reserve	86 693 347	72 015 535	86 693 347	72 015 535
Accumulated loss	(90 101 796)	(93 964 328)	(72 960 353)	(77 286 528)
Equity attributable to equity holders of Inqo Investments Limited	156 761 746	138 221 402	173 903 189	154 899 202
Non-controlling interest	160 218	247 844	-	-
Total equity	156 921 964	138 469 246	173 903 189	154 899 202
Non-current liabilities	9 403 433	2 903 675	9 178 263	2 512 847
Loans from related parties	4 511 589	902 409	4 363 278	774 735
Deferred tax liability	4 814 985	1 738 112	4 814 985	1 738 112
Lease liability	76 859	263 154	-	-
Current liabilities	43 931 313	7 631 674	37 422 595	739 219
Bank overdraft	146 855	688 491	-	-
Trade and other payables	8 503 452	6 770 068	2 355 669	739 219
Unutilised grant funding	35 066 926	-	35 066 926	-
Lease liability	214 080	173 115	-	-
Total liabilities	53 334 746	10 535 349	46 600 858	3 252 066
Total equity and liabilities	210 256 710	149 004 595	220 504 047	158 151 268

Inqo Investments Limited Group
Statements of cash flows
For the year ended 28 February 2023

	Group		Company	
	2023	2022	2023	2022
	R	R	R	R
Cash utilised by operations	(1 449 747)	(9 099 312)	734 120	(4 552 374)
Interest received	506 642	186 687	504 453	185 955
Interest paid	(169 674)	(72 467)	(41 293)	-
Net cash flow from operating activities	(1 112 779)	(8 985 092)	1 197 280	(4 366 419)
Cash flows from investing activities				
Increase in loans to subsidiary	-	-	(3 350 470)	(4 819 162)
Unrealised forex profit/(loss)	-	(177 121)	-	(177 121)
Loan (extended to)/ repaid by other investments	1 214 514	733 980	1 136 490	733 980
Acquisition of property, plant and equipment	(269 388)	(254 874)	(200 904)	(222 644)
Proceeds on disposal of biological assets	150 000	186 957	150 000	186 957
Grant funding received	33 409 740	-	33 409 740	-
Proceeds on disposal of property, plant and equipment	-	5 612 447	-	5 612 447
Net cash flow from investing activities	34 504 866	6 101 389	31 144 856	1 314 457
Cash flows from financing activities				
Proceeds from shares issued	-	2 066 862	-	2 066 862
Loans received from related parties	2 839 253	-	2 818 616	-
Repayment of finance lease	(191 564)	(192 615)	-	-
Net cash flow from financing activities	2 647 689	1 874 247	2 818 616	2 066 862
Net movement in cash and cash equivalents	36 039 777	(1 009 456)	35 160 752	(985 100)
Cash and cash equivalents at beginning of year	(16 520)	992 936	569 051	1 554 151
Cash and cash equivalents at end of year	36 023 257	(16 520)	35 729 803	569 051