

Inqo Investments Limited

Press release at 31 August 2023



Unaudited Group Results for the period ended 31 August 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 R285,367,338 and minimal debt.

The funds that the Company received from Belmont University in the latter part of the 2022/3 financial year and the new shareholder funds received in the early part of the current 2023/4 financial year will be used to develop Inqo's Conservation and Rural Enterprise (CARE) project that will invest in businesses that tackle social and environmental issues in and around the Budongo Forest in Uganda. The first investment of the CARE project is an eco-lodge that will help create jobs, generate value from conservation for local communities and fund reforestation in the local area. Plans for the lodge have been approved and construction will begin in the third quarter of 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 corresponding speed of recovery has varied across investee companies. Despite the challenges being faced, the directors of the Company have assessed the Company and its subsidiaries and agree that the operating units will continue as a going concern.

The results for the period under review showed revenue of R7,366,899 (August 2022: R3,389,258) with a profit after tax of R57,444,000 (August 2022: loss of R4,327,761). The primary reason for the profit before tax position is due to the grant income recognised between 1 September 2022 and 31 August 2023 for the cost of planting Spekboom cuttings on the property through the Reforest Action carbon credit contract.

The profit for the period is reported after accounting for the following income and cost items:

	<u>August 2023</u>	<u>August 2022</u>
<u>Income earned:</u>		
Included in other income is donation received for the cost of planting Spekboom cuttings on the property in terms of the Reforest Action carbon credit contract. The value of the donations received between 1 September 2022 and 28 February 2023 amounted to R9,090,000	61 513 070	-
<u>Operating costs incurred:</u>		
Depreciation & amortisation	1 605 019	1 730 282
Listing expenses	372 904	428 462
Directors' fees and salaries	486 168	490 403
Professional fees	306 600	315 678
Impairment & fair value adjustments	24 822	57 142
Provision for bad & doubtful debts	160 321	137 275

In August 2023, the directors of Inqo reviewed the valuation placed on all income earning assets to ensure that they reflect their fair value. Following the reviews, the directors are of the view that 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, whilst steadily improving, has not yet returned to pre Covid-19 occupancies and still operates at a loss. Inqo has provided for impairment of Kuzuko receivables to the value of R2,750,937 against the total amount due of R4,076,944.
- There have been major operational changes at Kuzuko Lodge in that the group has decided, effective 31 October 2023, to part ways with the management company, Legacy Hospitality Management Services (Pty) Ltd. This parting of ways has been entered into in a very fair, balanced and equitable manner.
- Mr J. Tan was appointed CEO of Kuzuko Lodge in July 2023 and he is now working with his fellow directors to put in place a new and effective management structure. The building of the new management unit is operating smoothly and on track to be fully operational before the summer season begins in November 2023.
- The game on the property has not seen any major change in numbers on the land or in value and therefore there are no material changes in the game valuation at 31 August 2023.
- 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 R753,537 have been impaired and a provision for doubtful debts have been raised against interest owing of R1,217,613.

The land and buildings are in terms of Inqo's accounting policies to be revalued every two years by an independent valuer. The valuation was done in March 2023 as required. 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 resulted in the land and buildings having increased in value by R19,099,881.

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 (South Africa)**, is a wholly owned subsidiary formed on 27 October 2020 to facilitate with the acquisition of investments in Kenya and Uganda. The group investment in Sanergy Incorporated is held by Inqo Africa (Pty) Ltd.
- **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 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 trees. 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.
- 63,423 patient visits in the first 9 months of 2023 including 386 HIV patients receiving care and counselling, 5,599 people receiving health education including through community outreach and 149 surgeries in the new surgical unit which is the only surgical facility at the southern end of Lake Naivasha, 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. 5,701 acres (2,307 hectares) of land have been planted with Spekboom cuttings by 31 August 2023. The project currently employs between 200 and 250 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 unaudited group financial statements for the period ended 31 August 2023.

DIVIDEND

The company has not declared a dividend the period ended 31 August 2023.



K.S Tan
Chairman

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C.J Bertie
Chief Financial Officer

Issued on: 29 November 2023

Condensed consolidated statement of profit or loss and other comprehensive income

for the six months ended 31 August 2023

	Six Months ended 31 August 2023 R	Six Months ended 31 August 2022 R
Revenue	7 366 899	3 389 258
Cost of Sales	(1 049 896)	(481 850)
Gross profit	6 317 003	2 907 408
Other income	61 793 066	761 454
Personnel expenses	(2 854 379)	(1 962 577)
Directors' emoluments	(486 169)	(490 403)
Depreciation & amortisation	(1 605 019)	(1 730 282)
Listing expenses	(372 904)	(428 462)
Professional fees	(306 600)	(315 678)
Provision for doubtful debts	(160 321)	(137 275)
Impairment and fair value adjustment	(24 822)	(57 142)
Selling and administrative expenses	(6 511 330)	(3 826 319)
Operating profit/(loss)	55 788 525	(5 279 276)
Inventory write-up (down)	8 000	-
Fair value adjustment	296 460	-
Net financing income	1 132 991	102 949
Finance income	1 218 522	184 255
Finance costs	(85 531)	(81 306)
Profit/(Loss) before taxation	57 225 976	(5 176 327)
Taxation credit	218 024	848 566
Loss for the period	57 444 000	(4 327 761)
Loss attributable to:		
Equity holders	57 565 554	(4 216 047)
Non-controlling interest	(121 554)	(111 714)
	57 444 000	(4 327 761)
Other comprehensive income:		
Other comprehensive income	-	-
Total comprehensive income for the period	57 444 000	(4 327 761)

Condensed consolidated statement of financial position

as at 31 August 2023

	Reviewed 31 August 2023 R	Audited 28 February 2023 R
Assets		
Non-current assets	223 643 437	163 310 393
Property, plant and equipment	214 355 118	154 054 726
Intangible assets	1 340	1 840
Right of use asset	152 975	236 171
Other investments	9 134 004	9 017 656
Current assets	61 723 901	46 946 317
Inventories	5 055 693	4 862 236
Trade and other receivables	3 858 133	3 124 989
Biological assets	3 085 440	2 788 980
Cash and cash equivalents	49 724 635	36 170 112
Total current assets	61 723 901	46 946 317
Total assets	285 367 338	210 256 710
Equity and liabilities		
Capital and reserves		
Ordinary share capital	72 584 925	72 584 925
Share premium	87 585 270	87 585 270
Revaluation reserve	86 693 347	86 693 347
Accumulated loss	(32 536 242)	(90 101 796)
Equity attributable to equity holders of: Inqo Investments Limited	214 327 290	156 761 746
Non-controlling interest	38 665	160 218
Total equity	214 365 965	156 921 964
Non-current liabilities	9 196 420	9 403 433
Loans from related parties	3 803 662	4 511 589
Deferred taxation	795 796	4 815 985
Lease liability	4 596 961	76 859
Current liabilities	61 804 953	43 931 313
Bank overdraft	532 409	146 855
Trade and other payables	8 064 296	8 503 452
Unutilised grant funding	52 994 005	35 066 926
Lease liability	217 243	214 080
Total liabilities	71 001 373	53 334 746
Total equity and liabilities	285 367 338	210 256 710

Condensed consolidated statement of cash flows

for the six months ended 31 August 2023

	Six months ended 31 August 2023 R	Six months ended 31 August 2022 R
Cash utilised by operations	(4 901 289)	(2 686 488)
Interest received	1 218 522	184 255
Interest paid	(85 531)	(81 306)
Net cash flow from operating activities	(3 768 298)	(2 683 539)
Cash flows from investing activities		
Loan (extended to)/ repaid by other investments	(141 170)	-
Acquisition of property, plant and equipment	(300 055)	(57 539)
Proceeds on disposal of biological assets	248 100	-
Grant funding received	17 066 111	-
Proceeds on disposal of property, plant and equipment	58 696	-
Net cash flow from investing activities	16 931 682	(57 539)
Cash flows from financing activities		
Loans received from related parties	62 000	2 804 544
Other loans received external	25 869	-
Repayment of finance lease	(82 284)	(119 287)
Net cash flow from financing activities	6 585	2 685 257
Net movement in cash and cash equivalents	13 169 969	(55 821)
Cash and cash equivalents at beginning of year	36 023 257	(16 520)
Cash and cash equivalents at end of year	49 192 226	(72 341)