

# Inqo Investments Limited

Press release at 31 August 2022



## Unaudited Group Results for the period ended 31 August 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 R 147,458,432 and minimal debt. Funds provided by shareholders of R2,824,078 and the proceeds of R1,481,182 from the sale of the groups interest in its Bee Sweet Honey investment have provided the Group with the funds to support subsidiaries from a working capital perspective. Furthermore, the Group expects to receive the first tranche of monies from Reforest 'Action in early 2023 pertaining to the spekboom project. A portion will be earned by the Group for project management services delivered and the balance will be used to fund operations.

Kuzuko Lodge, the main subsidiary of Inqo Investments, has required continued financial support through the Covid-19 pandemic period. Travel restrictions, lockdowns and consumer confidence in travel have significantly impacted the business throughout the financial year to date – as it has for the hospitality industry around the world.

There are a number of challenges for businesses across the group. However, the outlook has improved since the height of the Covid-19 pandemic and the directors of the company have assessed that it will continue as a going concern.

The results for the six months under review showed revenue of R3,389,258 (August 2021: R607,688) and incurred a loss after tax of R 4 327 761 (August 2021: R5,060,946). The loss for the period is reported after accounting for the following operating costs:

	<u>August 2022</u>	<u>August 2021</u>
Depreciation	1,730,282	1,659,770
Listing expenses	428,462	357,806
Directors' fees and salaries	490,403	418,136
Professional fees	315,678	321,415
Impairments and fair value adjustments	194,417	-

Like businesses around the world, the Group has been heavily impacted by the Covid-19 pandemic. 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 condition. The diverse nature of the Group portfolio has meant that the impact of the pandemic has been less significant across investee companies in the hospitality sector than 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 reviewed the valuation placed on all assets to ensure that they reflect their fair value. This review was done at 31 August 2022 and having conducted the review, the directors are of the view that the Group's assets are reflected at fair value. In reaching this conclusion it was decided that the group's investment in Four One Financial Services was further impaired by R 194,417 (August 2021: R 16,196 ).

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## INVESTEE COMPANIES

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### **Kuzuko Lodge (South Africa)**

Kuzuko Lodge ("Kuzuko") reopened to guests on 1 September 2021 but has not yet reached pre-Covid-19 trading levels. The tourism industry has been particularly effected in the Eastern Cape Province with tour operators reporting that interest in the region is not returning at the same pace as other South African destinations. The management team at Kuzuko is now actively seeking new strategies to position the lodge in the post-pandemic market. An improvement in bookings at the Lodge is expected to be felt when international bookings for the traditional peak season commence. Revenue levels for Kuzuko, are not expected to return closer to pre-pandemic levels until the 2023/4 financial year.

Pre-Covid, the Lodge had a full-time staff complement of 64, the bulk of whom were drawn from the local community. Currently the staff complement is 31 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 the 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 signed an agreement with Reforest'Action, a B Corp certified reforestation specialist based in Paris, France in August 2022 to reforest over 5,000 hectares of degraded land on the Kuzuko Private Game Reserve. The restoration project, one of the largest of its kind, will make an important contribution towards climate change through carbon sequestration, whilst restoring habitats to boost biodiversity and creating jobs.

The project is a direct response to the call for action by the UN Decade on Ecosystem Restoration for individuals and organisations to rapidly upscale the implementation of ecosystem restoration projects so that hundreds of millions of hectares of degraded land are restored by the year 2030.

### **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.

The directors of the company realised that this investment was not performing in terms of its agreed financial mandate and thus concluded a sale agreement in May 2022 to dispose of the Bee Sweet investment. The realisation of this asset was done at a capital loss to the company.

### **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 financial services company that pioneered a micro-pension approach in Uganda and has also offered savings and short-term loan products. A combination of regulatory challenges and the Covid-19 pandemic led Four-One to pivot their business model into property development. Four One launched Bitbricks in 2021, leveraging their financial expertise and technology platforms to offer micro shares in property developments which offer affordable housing at 20% below market rate whilst offering investors a financial return.

Bitbricks are now looking to complete their phase one development in December 2022 and are now looking for additional investment to begin phase two with the construction of a second apartment block. Bitbricks have two units remaining to be sold in their phase one development after which they anticipate starting to pay back their investors in Q1 2023.

### **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 30-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. The Naivasha region in Kenya is predominantly populated by low-income workers working in the horticultural, agricultural and tourism industries.

SLMC has continued to execute its growth plans despite challenging conditions this financial year including challenging economic conditions in the country, the challenges of working with Kenya's National Health Insurance Fund (NHIF) and a period of uncertainty during the Kenyan election. SLMC have worked extensively on developing and refining their medical, financial and businesses processes to ensure they can offer high quality care at affordable prices with improvements made across the board. SLMC is in a stable financial position with the management team controlling costs well in what is at times a turbulent business environment. The SLMC team also achieved an important win this year as they were recently upgraded from Level 3 to Level 4 by NHIF in recognition of the developments in their major surgical unit placing the facility on par with a district level hospital.

### **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 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 has continued to push forward and grow throughout this financial year despite challenging conditions including extended periods of drought in the East African region which have impacted flower production. The team have continued to focus on refining their agronomy practices and production practices with increased efficiencies across the board. Sales remain strong with Kentegra shipping product across the globe including North America, Africa, Asia and Europe. At its core, Kentegra remains committed primarily to its farmers providing them with additional benefits such as financial training in support of human flourishing.

### **Sanergy Incorporated (Kenya)**

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 40,000 tons of organic waste per year. At full capacity, the factory is capable of processing 90,000 tons of organic waste per annum.

Sanergy have made steady progress during this financial year with demand consistently outstripping supply for their products and a successful investment round completed. The rise in fuel prices, in part due to the ongoing war in Ukraine, has led to a significant rise in fertilizer prices which has increased demand Sanergy's organic Evergrow fertilizer. In response, Sanergy are looking to establish fertilizer operations across Kenya which are simpler operations than their complete factory but will play an important role in Kenya's food security. Sales of Kuzapro insect protein also comfortably outstrip supply with both domestic and international interest. Sanergy are also exploring possible carbon finance options due to the carbon savings from their circular economy approach – potentially a valuable new revenue stream. Sanergy going forward will operate under Regen Organics brand, which reflects its links to regenerative agriculture and the circular economy.

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## STOCK EXCHANGE LISTING

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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.

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## OUTLOOK

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**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 November 2022.

**Spekboom Trading** – Planting in terms of the reforestation project commenced on 5 September 2022. Planting teams involved in the planting process are becoming more comfortable with the planting process and currently planting seedlings/cuttings at an average rate of 75 acres (30 hectares) a month.

**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. We are pessimistic about the outlook given the overall economic impact of the pandemic in Uganda.

**South Lake Medical Centre** –Despite the challenging conditions the management team have made steady progress and continue to make improvements across the board placing them in a strong position for the future.

**Kentegra Biotechnology** – The company continues to perform well and has made progress in the efficiency of both flower production and processing this year. With continued strong demand for their product the outlook for Kentegra is positive.

**Sanergy Incorporated** – The company rebranded its operation and now operates as The Sanergy Collaboration. The company enjoys support from a wide range of clients across all its product lines where orders for product currently exceed production levels.

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## SUMMARY OF SOCIAL & ENVIRONMENTAL METRICS SINCE PROJECT COMMENCEMENT

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- 35,705 acres (14,450 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.
- 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-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 (200 hectares) of degraded land with spekboom providing work for 100 part-time staff and sequestering carbon in prior financial periods.
- 15 acres (37 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, started on 5 September 2022.

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**STAFF**

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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.

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**FINANCIAL INFORMATION**

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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 2022.

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**DIVIDEND**

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The company has not declared a dividend the period ended 31 August 2022.

**K.S Tan**  
Chairman

**C.J Bertie**  
Chief Financial Officer

Issued on: 18 November 2022

**Condensed consolidated statement of profit or loss and other comprehensive income**

for the six months ended 31 August 2022

	Six Months ended 31 August 2022 R	Six Months ended 31 August 2021 R
<b>Revenue</b>	<b>3 389 258</b>	607 688
<b>Cost of Sales</b>	<b>(481 850)</b>	(112 692)
<b>Gross profit</b>	<b>2 907 408</b>	494 996
Other income	<b>761 454</b>	44 773
Personnel expenses	<b>(1 962 577)</b>	(1 282 230)
Depreciation	<b>(1 730 282)</b>	(1 659 770)
Loss on disposal of land	-	(82 898)
Listing expenses	<b>(428 462)</b>	(357 806)
Professional fees	<b>(315 678)</b>	(321 415)
Impairment	<b>(57 142)</b>	(16 196)
Directors emoluments	<b>(490 403)</b>	(418 136)
Provision for doubtful debts	<b>(137 275)</b>	-
Selling and administrative expenses	<b>(3 826 319)</b>	(2 361 669)
<b>Operating loss</b>	<b>(5 279 276)</b>	(5 960 351)
<b>Net financing income</b>	<b>102 949</b>	122 757
Finance income	<b>184 255</b>	217 629
Finance costs	<b>(81 306)</b>	(94 872)
<b>Loss before taxation</b>	<b>(5 176 327)</b>	(5 837 594)
Taxation credit	<b>848 566</b>	776 648
<b>Loss for the period</b>	<b>(4 327 761)</b>	(5 060 946)
<b>Loss attributable to:</b>		
Equity holders	<b>(4 216 047)</b>	(4 938 835)
Non-controlling interest	<b>(111 714)</b>	(122 111)
	<b>(4 327 761)</b>	(5 060 946)
<b>Other comprehensive income:</b>		
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>(4 327 761)</b>	(5 060 946)

## Condensed consolidated statement of financial position

as at 31 August 2022

	Reviewed 31 August 2021 R	Audited 28 February 2021 R
<b>Assets</b>		
<b>Non-current assets</b>	<b>141 662 382</b>	143 346 953
Property, plant and equipment	129 893 594	131 315 802
Intangible assets	5 854	8 517
Right of use asset	425 059	505 421
Other investments	11 337 875	11 517 213
<b>Current assets</b>	<b>14 328 453</b>	11 702 363
Inventories	4 119 836	4 264 824
Trade and other receivables	3 097 180	3 139 521
Other investments	440 388	440 388
Biological assets	2 864 694	2 864 694
Cash and cash equivalents	3 806 355	992 936
<b>Assets held for sale</b>	-	5 695 345
Land held for sale	-	5 695 345
<b>Total current assets</b>	<b>14 328 453</b>	17 397 708
<b>Total assets</b>	<b>155 990 835</b>	160 744 661
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Ordinary share capital	72 584 925	71 809 195
Share premium	87 585 270	86 294 138
Revaluation reserve	72 015 535	72 015 535
Accumulated loss	(86 522 896)	(81 584 061)
Equity attributable to equity holders of:		
Inqo Investments Limited	145 662 833	148 534 807
Non-controlling interest	360 054	482 164
<b>Total equity</b>	<b>146 022 887</b>	149 016 971
<b>Non-current liabilities</b>	<b>3 809 633</b>	4 632 671
Loans from related parties	167 845	167 845
Other long-term loans	740 384	707 185
Deferred taxation	2 568 257	3 344 896
Lease liability	333 147	412 745
<b>Current liabilities</b>	<b>6 158 315</b>	7 095 019
Trade and other payables	5 788 110	6 695 255
Provision	215 347	253 341
Lease liability	154 858	146 423
<b>Total liabilities</b>	<b>9 967 948</b>	11 727 690
<b>Total equity and liabilities</b>	<b>155 990 835</b>	160 744 661

## Condensed consolidated statement of financial position

as at 31 August 2022

	Reviewed 31 August 2022 R	Audited 28 February 2022 R
<b>Assets</b>		
<b>Non-current assets</b>	<b>135 954 488</b>	137 275 303
Property, plant and equipment	126 853 067	128 440 653
Intangible assets	2 652	3 622
Right of use asset	308 687	362 693
Other investments	8 790 082	8 468 335
<b>Current assets</b>	<b>10 022 761</b>	10 396 005
Inventories	4 045 519	4 058 788
Trade and other receivables	2 802 496	2 743 619
Biological assets	2 671 627	2 921 627
Cash and cash equivalents	503 119	671 971
<b>Assets held for sale</b>	<b>1 481 183</b>	1 333 287
Assets held for sale	1 481 183	1 333 287
<b>Total current assets</b>	<b>11 503 944</b>	11 729 292
<b>Total assets</b>	<b>147 458 432</b>	149 004 595
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Ordinary share capital	72 584 925	72 584 925
Share premium	87 585 270	87 585 270
Revaluation reserve	72 015 535	72 015 535
Accumulated loss	(98 180 375)	(93 964 328)
Equity attributable to equity holders of:		
Inqo Investments Limited	134 005 355	138 221 402
Non-controlling interest	136 130	247 844
<b>Total equity</b>	<b>134 141 485</b>	138 469 246
<b>Non-current liabilities</b>	<b>4 807 132</b>	2 903 675
Loans from related parties	3 739 431	902 409
Deferred taxation	889 555	1 738 112
Lease liability	178 146	263 154
<b>Current liabilities</b>	<b>8 509 815</b>	7 631 674
Bank overdraft	575 460	688 491
Trade and other payables	7 741 413	6 770 068
Lease liability	192 942	173 115
<b>Total liabilities</b>	<b>13 316 947</b>	10 535 349
<b>Total equity and liabilities</b>	<b>147 458 432</b>	149 004 595