



**Unaudited Group Results for the period ended 31 August 2021**

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

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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.

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**COMMENTARY**

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The Group remains in a good financial position with total assets of R155,990,835 and minimal debt. Funds provided by shareholders of R2,066,862 and the proceeds of R5,612,447 from the sale of land to South African National Parks (SANParks) have provided the Group with the funds to support subsidiaries and investments during the difficult Covid-19 pandemic.

Kuzuko Lodge, the main subsidiary of Inqo Investments, has required substantial financial support through the Covid-19 pandemic period. Travel restrictions, lockdowns and consumer confidence in travel has significantly impacted the business throughout 2020 and 2021 – as it has for the hospitality industry around the world. A recent easing of travel restrictions by the UK government, Kuzuko’s largest market, is a positive sign for the lodge. However, due to an announcement on 25 November, that a new potentially more contagious Covid-19 variant had been identified in South Africa, the UK placed South Africa on the travel red list on 26 November.

Therefore, despite the challenges that have been faced by the investments held by the Group, 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 R607,688 (August 2020: R1,746,170) and incurred a loss after tax of R5,060,946 (August 2020: R4,760,046). The loss for the period is reported after accounting for the following operating costs:

	<u>August 2021</u>	<u>August 2020</u>
Depreciation	1,659,770	1,743,117
Listing expenses	357,806	528,106
Directors’ fees and salaries	348,000	259,500
Professional fees	321,415	259,942

Like businesses around the world, the Group has been heavily impacted by the Covid-19 pandemic. All businesses in the Group have reported reduced earnings during the pandemic and have taken extensive steps to reduce operating costs to the minimum and adapt to the realities of operating a business during the ongoing Covid-19 pandemic.

The directors of the holding company review the valuation placed on all income carrying assets to ensure that they reflect their fair value. This review was done at 31 August 2021 and having conducted the review, the directors are of the view that the Group’s assets are reflected at fair value.

**Kuzuko Lodge (South Africa)**

Kuzuko Lodge ("Kuzuko") only traded for 3 months of this financial period as the directors of the company and Kuzuko's management company decided to mothball the operation during the South African winter season from May to September. The Lodge reopened for business on 1 September 2021 to local South African guests and a small number of European travellers. The decision by the British government to lift the ban on travel to South Africa on 11 October 2021 was a major boost for Kuzuko Lodge as the United Kingdom market has historically provided 25 to 30% of the annual occupancy for the Lodge. Kuzuko Lodge has started to receive enquiries for accommodation from British based travellers, which is a very positive sign for the business.

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.

A memorandum of understanding is being negotiated with a leading carbon fund to restore 3,000 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 resolved providing valuable employment opportunities as well as a positive environmental benefit.

Small scale plantings have continued to take place during the Covid-19 pandemic period and it is anticipated that larger scale planting trials will take place in the near future. Pilot plantings will maximise chances of success when more widescale replanting operations take place as part of the company's conservation and land regeneration plans.

**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 Bee Sweet operation currently has 61,203 bee hives in the field with over 8,000 beekeepers in its programme. Inqo has invested in 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.

**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. 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. However, the impact of the lockdown and subsequent economic downturn has been severe in Uganda, which has impacted Four-One. It will take time before the full impact to the business and Ugandan economy is known. In the meantime, Inqo continues to work with the management team to assist where possible.

## **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.

This hospital receives large numbers of 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 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 2020 and 2021 whilst still implanting the required development for their growth plans. 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 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.

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 several months. At the end of this period, the company has recruited around 7,000 farmers cultivating 1,700 acres of chrysanthemum flowers. Kentegra has also raised over US\$2m in a mix of grants and loans. Further funding is being raised to install a second production line.

## **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 12,000 tons of organic waste per year.

We closed our investment in 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 a 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 expansion in Nairobi and required funds to finish the build. Following the closing of the bridging 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 the 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. Sanergy continue to take a methodical approach to refining their methodology on a larger scale and remain optimistic for the remainder of the year. With around 4,000 toilets, Sanergy serves over 125,000 people daily. Sanergy was also one of 5 finalists in this year's prestigious Earthshot Prize (<https://earthshotprize.org/finalists/sanergy/>).

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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 for guests on 1 September 2021 and has to date received mainly South African and a small number of European visitors to the property. The decision by the British government to remove South Africa from their red list was a major boost to the business as it is Kuzuko's most important market. While the directors expect to see an increase in bookings to the Lodge in the short term, they do not expect occupancies to return to pre-Covid occupancy levels until late in 2022 as consumer confidence will take time to return, although the reimplementation of travel restrictions on 26 November, by the UK and EU may slow down this anticipated growth.

**Bee Sweet Honey** – The market in which Bee Sweet is currently operating is very challenging but in spite of this management is making good headway on both the production and sales front. The company has recorded good sales and is currently negotiating with a buyer for the sale of a large quantity of stock that will provide the company with the cash flow needed to fund the harvesting of the honey crop in November and December this year.

**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 the re-planting of spekboom.

**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** – 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-19. Despite the challenges, management have been able to continue to implement development plans during 2020 and 2021 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 has a strong order book for the rest of 2021.

**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 in Africa.

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## **SUMMARY OF SOCIAL & ENVIRONMENTAL METRICS SINCE PROJECT COMMENCEMENT**

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- 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-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.
- 61,203 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.

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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 2021.

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### **DIVIDEND**

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The company has not declared a dividend the period ended 31 August 2021.

**K.S Tan**  
Chairman

**C.J Bertie**  
Chief Financial Officer

Issued on: 26 November 2021

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

*for the six months ended 31 August 2021*

	<b>Six Months ended 31 August 2021 R</b>	<b>Six Months ended 31 August 2020 R</b>
<b>Revenue</b>	<b>607 688</b>	1 746 170
<b>Cost of Sales</b>	<b>(112 692)</b>	(240 331)
<b>Gross profit</b>	<b>494 996</b>	1 505 839
Other income	44 773	1 252 416
Personnel expenses	<b>(1 700 366)</b>	(2 700 788)
Depreciation	<b>(1 659 770)</b>	(1 743 117)
Loss on disposal of land	<b>(82 898)</b>	-
Listing expenses	<b>(357 806)</b>	(528 106)
Professional fees	<b>(321 415)</b>	(259 942)
Impairment	<b>(16 196)</b>	-
Other expenses	<b>(2 361 669)</b>	(2 921 969)
<b>Operating loss</b>	<b>(5 960 351)</b>	(5 395 667)
<b>Net financing income</b>	<b>122 757</b>	355 206
Finance income	<b>217 629</b>	424 966
Finance costs	<b>(94 872)</b>	(69 760)
<b>Loss before taxation</b>	<b>(5 837 594)</b>	(5 040 461)
Taxation credit	<b>776 648</b>	280 415
<b>Loss for the period</b>	<b>(5 060 946)</b>	(4 760 046)
<b>Loss attributable to:</b>		
Equity holders	<b>(4 938 836)</b>	(3 587 714)
Non-controlling interest	<b>(122 110)</b>	(1 172 332)
	<b>(5 060 946)</b>	(4 760 046)
<b>Other comprehensive income:</b>		
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>(5 060 946)</b>	(4 760 046)
<b>Total comprehensive income attributable to:</b>		
Equity holders	<b>(4 938 836)</b>	(3 587 714)
Non-controlling interest	<b>(122 110)</b>	(1 172 332)
	<b>(5 060 946)</b>	(4 760 046)

## Condensed consolidated statement of financial position

as at 31 August 2021

	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 cash flows***for the six months ended 31 August 2021*

	<b>Six months ended 31 August 2021 R</b>	<b>Six months ended 31 August 2020 R</b>
<b>Cash flows from operating activities</b>		
Net loss before tax	(5 837 594)	(5 040 461)
Amortisation	2 663	2 215
Depreciation	1 576 747	1 637 795
Depreciation of right of use asset	80 360	103 107
Finance cost on lease liability	29 817	50 055
Impairments and loan write off	44 586	-
Loss on disposal of assets	82 898	22 385
Unrealised forex loss	220 186	
<b>Net working capital changes</b>		
Inventory	144 988	(100 156)
Trade payables	(945 130)	(4 323 365)
Trade receivables	(2 244)	669 987
<b>Net cash outflow from operating activities</b>	<b>(4 602 723)</b>	<b>(6 978 438)</b>
<b>Cash flows from investing activities</b>		
Acquisition of investments	-	(699 969)
Acquisition of property, plant and equipment and intangible assets	(162 187)	(990 368)
Proceeds from disposal of property, plant and equipment and intangible assets	5 612 447	185 682
Finance lease payments	(100 980)	(135 296)
<b>Net cash outflow from investing activities</b>	<b>5 349 280</b>	<b>(1 639 951)</b>
<b>Cash flows from financing activities</b>		
Proceeds of shares issued	2 066 862	-
Loans and borrowings raised	-	19 370
<b>Net cash inflow from financing activities</b>	<b>2 066 862</b>	<b>19 370</b>
Net movement in cash and cash equivalents	2 813 419	(8 599 019)
Cash and cash equivalents at beginning of period	992 936	15 671 786
<b>Cash and cash equivalents at end of period</b>	<b>3 806 355</b>	<b>7 072 767</b>