

## Inqo Investments Limited

### Audited Group Results for the year ended 29 February 2020



Company Registration Number 1998/024741/06	Share Code INQO	ISIN Number ZAU 000014391
---	--------------------	------------------------------

#### 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 strong financial position with no debt. Cash reserves for investment stood at R15,671,786 with total assets of R179,402,703 on the balance sheet.

The results for the year under review showed revenue of R24,422,881 (2019: R23,795,780) but a reflected loss after tax of R4,788,716 (2019 a loss of R1,862,282), EBITDA at Company level was -R4,567,788 (-R534,135 in 2019) and at Group level was -R2,016,741 (-R653,170 in 2019). The Group loss for the year is reported after accounting for the following operating costs and accounting adjustments.

	February 2020	February 2019
<u>Operating costs (Group)</u>		
Depreciation	3,210,687	2,697,401
Listing expenses	596,132	834,420
Directors fees and salaries	867,880	896,947
Professional fees	601,048	621,023
<u>Accounting adjustments</u>		
Reduction (2019 an increase) in carrying value of game.	1,451,190	(1,178,484)

The bulk of the Group's revenue is earned from its main operating subsidiary, Kuzuko Lodge. In the year under review, the revenue of the lodge grew from R23,795,780 to R24,422,881 - a year on year increase of 2.5%. Kuzuko Lodge has retained its policy of annually increasing its rates annually that was started in 2016 to boost average rates and room revenue.

The directors of the holding company review the valuation placed on all income carrying assets to ensure that they reflect their fair value. The assets that have traditionally resulted in valuation movements have been the game animals owned by Inqo. The game prices showed a downward trend during the 2019/20 financial year resulting in a negative adjustment of R1,451,190 this year compared to the positive revaluation in 2019 of R1,178,484.

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

The company showed a small increase in year on year turnover (2.5%) but showed a loss for the year of R1,716,462 (2019: Loss of R409,995). The company started the year with very strong forward bookings but unfortunately cancellations of a large series of tour bookings from the United Kingdom and cancellations from Australian guests who decided not to travel during the Australian bush fires reduced turnover resulting in the trading loss the company suffered.

Kuzuko Lodge ("KUZUKO") closed down in early April 2020 due to the lockdown restrictions in South Africa. Prior to the Covid-19 Pandemic Kuzuko was performing well with strong bookings in place for 2020. The Covid-19 Pandemic has had a severe effect on the tourism industry globally and at this stage it is unclear what the full impact will be. Inqo anticipates that disruption through travel restrictions and the depression on sales due to the Covid-19 related economic downturn will last for a minimum of two years. Travel restrictions currently predominantly apply to international travel with the internal travel ban in South Africa was lifted on the 18<sup>th</sup> of August 2020. Inqo anticipates a pickup in local bookings, however, these will unfortunately not replace the level of international bookings normally enjoyed by the property. In an effort to protect the going concern of the business many fixed costs have been renegotiated to new lower cost structures and unfortunately 24% of the workforce has had to be retrenched. Inqo directors and the management company, Legacy Hotels and Resorts, are working closely with the Kuzuko management team to control costs efficiently to protect the viability of the business.

### **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.

The spekboom thicket restoration at Kuzuko is planned to restart once the Covid-19 pandemic crisis has passed and restoration work can commence. A memorandum of understanding is being negotiated with a leading carbon fund to restore 12,500 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.

A small-scale trial plot has just been planted to test the best method for growing spekboom based on the latest scientific research. The next step is to undertake large-scale trials over 40 hectares to refine the cost model of the investment. This will take place as soon as it is feasible (in the context of Covid-19 lockdowns) to run the trials.

### **Bee Sweet Honey (Zambia)**

Inqo made an initial investment into Bee Sweet Honey's commercial honey production operation in 2016 with further investments in 2018 and 2019. Bee Sweet Honey contracts with rural farmers to manage hives placed on the farmer's land in return for a share of the harvest.

The Bee Sweet operation has placed 85,512 bee hives in the field with 10,000 farmers in its programme so far. 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. The harvest in the 2019/20 year was one of the largest harvests every yielded.

Inqo earned R260,423 as its share of revenue in the 2019/20 financial year (2019: R178,417).

### **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, 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 impact of the lockdown and subsequent economic downturn is likely to be severe in Uganda and so for Four-One. 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.

Inqo earned interest on its investment in the Four-One Financial Services operation of R230,236 in 2020 (2019:R218,932).

### **South Lake Medical Centre – SLMC (Kenya)**

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 current 2019/20 year.

This hospital receives around 64,000 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 will be expanded to include a surgical unit making it 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 will be economically challenging for SLMC. The major industry in the area is cut flowers for the European market – a sector that has dropped off in the current climate but with the resumption of international flights sales levels are returning. In addition, there is a strong vegetable growing industry in Naivasha that continues to trade and provide medical appointments for SLMC.

Inqo earned interest of R48,340 on its investment in SLMC in this 2019/20 year.

### **Kentegra Biotechnology Limited (Kenya)**

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 continues to operate in a scaled down manner and still report demand during the Covid-19 pandemic. They have recently installed a new factory that is in the process of being commissioned ready for production. 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.

9

---

## 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 Private Game Reserve** – The Lodge saw high occupancy rates before the Covid-19 pandemic. Once international tourism re-commences, we are confident that Kuzuko will make a good recovery although it will take time for confidence to return to the tourism industry in South Africa.

**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 re-planting of spekboom when lockdown is relaxed

**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 brought the informal sector to a complete standstill 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.

**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.

---

## 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 68 fulltime and 12 part-time and contracted staff employed
- 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
- Reforestation of 500 acres of degraded land with spekboom providing work for 100 part time staff and sequestering carbon
- 85,512 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
- 74,582 patient visits between January and December 2019 including 110 safe deliveries, 299 HIV patients receiving care and counselling, 658 infants immunised, 658 mothers receiving nutrition advice and 1,277 people receiving health education including, COVID education, through community outreach in Kenya
- Increased the economic livelihoods of over 17,000 farmers and their families in Zambia and Kenya

---

## 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.

---

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 29 February 2020. A copy of these audited financial statements will be available on the company website by 28 August 2020.

---

**DIVIDEND**

---

The company has not declared a dividend for the year ended 29 February 2020.



**K.S Tan**  
Chairman



**C.J Bertie**  
Chief Financial Officer

07

Inqo Investments Limited Group  
Condensed consolidated statement of profit or loss and other comprehensive income  
For the year ended 29 February 2020

	<b>Audited Year ended 29 February 2020</b>	<b>Audited Year ended 28 February 2019</b>
	<b>R</b>	<b>R</b>
<b>Revenue</b>	<b>24,422,881</b>	23,795,780
<b>Cost of sales</b>	<b>(2,965,088)</b>	(3,458,913)
<b>Gross profit</b>	<b>21,457,793</b>	20,336,867
Other income	<b>1,005,940</b>	853,457
Personnel expenses	<b>(8,662,421)</b>	(8,176,415)
Depreciation	<b>(3,210,687)</b>	(2,697,401)
Listing expenses	<b>(596,132)</b>	(834,420)
Professional fees	<b>(601,048)</b>	(621,023)
Impairment	<b>(170,373)</b>	(45,900)
Selling and administrative expenses	<b>(14,444,355)</b>	(13,344,220)
<b>Operating Loss</b>	<b>(5,221,283)</b>	(4,529,055)
Inventory write-down	<b>(1,442,485)</b>	-
Fair value adjustment	<b>(6,146)</b>	1,178,484
Net financing income	<b>544,627</b>	849,854
Finance income	<b>713,645</b>	1,060,337
Finance costs	<b>(169,018)</b>	(210,483)
<b>Loss before taxation</b>	<b>(6,125,287)</b>	(2,500,717)
Taxation	<b>1,336,571</b>	638,435
<b>Loss for the year</b>	<b>(4,788,716)</b>	(1,862,282)
Other comprehensive income		
Revaluation of land	-	2,378,659
Deferred tax on revaluation	-	3,065,283
	-	(686,624)
<b>Total comprehensive income for the period</b>	<b>(4,788,716)</b>	516,377
<b>Loss per share (rands)</b>	<b>(0.33)</b>	(0.15)
<b>Diluted Loss per share (rands)</b>	<b>(0.33)</b>	(0.15)

Inqo Investments Limited Group  
Condensed consolidated statement of financial position  
At 29 February 2020

	<b>Audited 29 February 2020</b>	<b>Audited 28 February 2019 Reclassified*</b>
	<b>R</b>	<b>R</b>
<b>Assets</b>		
<b>Non-current assets</b>	<b>146,063,205</b>	137,200,760
Property, plant and equipment	134,430,943	135,554,591
Intangible assets	9,062	14,853
Right of use asset	893,597	-
Other Investments	10,729,603	1,631,316
Loan receivable	-	-
<b>Current assets</b>	<b>27,644,153</b>	43,689,793
Inventories	4,763,430	5,553,630
Trade and other receivables	4,150,071	23,513,461
Biological assets	3,058,866	3,065,012
Cash and cash equivalents	15,671,786	11,557,690
<b>Non-Current Assets held for sale</b>	<b>5,695,345</b>	-
Land held for sale	5,695,345	-
<b>Total Current Assets</b>	<b>33,339,498</b>	43,689,793
<b>Total assets</b>	<b>179,402,703</b>	180,890,553
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Ordinary share capital	71,809,195	70,559,195
Share premium	86,294,138	83,428,888
Revaluation reserve	73,152,702	73,152,702
Accumulated loss	(70,311,858)	(65,557,058)
Equity attributable to equity holders of Inqo Investments Limited	160,944,177	161,583,727
Non-controlling interest	773,635	807,551
Total equity	161,717,812	162,391,278
<b>Non-current liabilities</b>	<b>7,328,094</b>	7,872,392
Loans from related parties	167,845	167,846
Other long term loans	668,210	625,139
Deferred taxation	5,549,379	6,885,950
Debentures	193,457	193,457
Finance lease liability	749,203	-
<b>Current liabilities</b>	<b>10,356,797</b>	10,626,883
Trade and other payables	9,494,844	10,037,122
Provision	686,559	589,761
Lease liability	175,394	-
Total liabilities	17,684,891	18,499,275
<b>Total equity and liabilities</b>	<b>179,402,703</b>	180,890,553

\* Game reclassification. Refer notes 14 and 26 in unabridged Annual Financial Statements

Inqo Investments Limited Group  
 Statements of cash flows  
 For the year ended 29 February 2020

	<b>Audited 2020</b>	Audited 2019 Reclassified*
	R	R
<b>Cash utilised by operations</b>	<b>14,346,086</b>	(5,953,072)
<b>Finance income</b>	<b>713,645</b>	1,060,377
<b>Finance expense</b>	<b>(169,018)</b>	(210,483)
<b>Net cash outflow from operating activities</b>	<b>14,890,713</b>	(5,103,218)
<b>Cash flows from investing activities</b>		
Acquisition of other investments	<b>(5,546,279)</b>	-
Loan advanced to other investments	<b>(1,521,732)</b>	(175,493)
Acquisition of property, plant and equipment	<b>(7,786,536)</b>	(5,507,255)
Acquisition of intangible assets	-	(10,443)
Proceeds on disposal of property, plant and equipment	<b>26,087</b>	86,422
<b>Net cash outflow from investing activities</b>	<b>(14,828,460)</b>	(5,606,769)
<b>Cash flows from financing activities</b>		
Proceeds from share issue	<b>4,115,250</b>	19,352,305
Repayment of finance lease	<b>(106,477)</b>	-
Loans and borrowings received	-	-
Loans from related parties received	<b>43,070</b>	9,569
<b>Net cash inflow from financing activities</b>	<b>4,051,843</b>	19,361,874
Net movement in cash and cash equivalents	<b>4,114,096</b>	8,651,887
Cash and cash equivalents at beginning of year	<b>11,557,690</b>	2,905,803
<b>Cash and cash equivalents at end of year</b>	<b>15,671,786</b>	11,557,690

\* Game reclassification. Refer notes 14 and 26 in unabridged Annual Financial Statements