

## HIGHLIGHTS

Nav per  
share  
**E0.80**

Equity investments  
valued at  
**E32.4 m**

Investment  
income  
**E2.6 m**

## Inala Capital Limited

Audited financial results for the year ended 31 December 2022

Figures in Emalangeni	Audited for the year ended 31 December 2022	Audited for the year ended 31 December 2021
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Interest income	2 604 046	2 310 493
Operating expenses	(3 047 061)	(2 244 051)
<b>Operating (loss) / profit</b>	<b>(443 015)</b>	<b>66 442</b>
Unrealised loss on revaluation of investments	(3 545 000)	(578 000)
<b>Loss before taxation</b>	<b>(3 988 015)</b>	<b>(511 558)</b>
Income tax	-	(1 855 716)
<b>Total comprehensive loss</b>	<b>(3 988 015)</b>	<b>(2 367 274)</b>
<b>(Loss) earnings per share</b>	<b>(0,06)</b>	<b>(0,03)</b>

<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Investment in associate	23 050 000	22 100 000
Investment at fair value	9 305 000	13 800 000
	<b>32 355 000</b>	<b>35 900 000</b>
<b>CURRENT ASSETS</b>		
Other financial assets	22 723 053	20 405 548
Prepayment	6 932	-
Cash and cash equivalents	4 046 849	6 800 672
	<b>26 776 834</b>	<b>27 206 220</b>
<b>TOTAL ASSETS</b>	<b>59 131 834</b>	<b>63 106 220</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	73 373 123	73 373 123
Accumulated loss	(14 807 055)	(10 819 040)
<b>TOTAL EQUITY</b>	<b>58 566 068</b>	<b>62 554 083</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	544 366	552 137
Other financial liabilities	21 400	-
<b>TOTAL LIABILITIES</b>	<b>565 766</b>	<b>552 137</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>59 131 834</b>	<b>63 106 220</b>

<b>STATEMENT OF CHANGES IN EQUITY</b>		
<b>SHARE CAPITAL</b>	<b>73 373 123</b>	<b>73 373 123</b>
<b>ACCUMULATED LOSS</b>	<b>(14 807 055)</b>	<b>(10 819 040)</b>
Balance at the beginning of the period	(10 819 040)	(8 451 766)
Loss for the year	(3 988 015)	(2 367 274)
<b>TOTAL EQUITY</b>	<b>58 566 068</b>	<b>62 554 083</b>

<b>STATEMENT OF CASH FLOWS</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash used in operations	(3 061 764)	(2 306 185)
Interest income	286 541	2 310 493
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(2 775 223)</b>	<b>4 308</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	-	(10 617)
<b>NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>-</b>	<b>(10 617)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from other financial liabilities	21 400	-
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>21 400</b>	<b>-</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(2 753 823)</b>	<b>(6 309)</b>
<b>TOTAL CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>6 800 672</b>	<b>6 806 981</b>
<b>TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>4 046 849</b>	<b>6 800 672</b>

Figures in Emalangeni	Audited for the year ended 31 December 2022	Audited for the year ended 31 December 2021
<b>NOTES</b>		
<b>1. STATEMENT OF COMPLIANCE</b>		
The financial results have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies' Act of 2009.		
The financial results presented have been reviewed and audited by the auditor of Inala Capital Limited (the "Company" or "Inala").		
<b>2. HEADLINE EARNINGS</b>		
<b>2.1 EARNINGS PER SHARE</b>		
Basic and diluted earnings per share	(0,06)	(0,03)
<b>2.2 NUMBER OF ORDINARY SHARES OF E1 EACH IN ISSUE</b>		
Actual	71 994 000	71 994 000
Weighted average	71 994 000	71 994 000
<b>3. INVESTMENTS</b>		
Unlisted	32 355 000	35 900 000
	<b>32 355 000</b>	<b>35 900 000</b>
<b>4. LOANS AND RECEIVABLES</b>		
Investment in promissory notes	22 723 053	20 405 548
	<b>22 723 053</b>	<b>20 405 548</b>
<b>5. RELATED PARTY TRANSACTIONS</b>		
Management fees paid	1 974 016	1 943 354
All related party transactions are made at terms equivalent to those prevailing in arm's length transactions. There have been no guarantee provided or received for any related party receivables or payables. The company has not recorded any impairment of receivables relating to amounts owed by or investments in related parties during the period.		
<b>6. CASH GENERATED FROM OPERATIONS</b>		
Loss before tax	(3 988 015)	(511 558)
<b>Adjustments for:</b>		
Interest income	(2 604 046)	(2 310 493)
Change in fair value of investments through profit or loss	3 545 000	578 000
Increase in prepayments	(6 932)	-
Increase/(decrease) in trade and other payables	(7 771)	(62 134)
	<b>(3 061 764)</b>	<b>(2 306 185)</b>

## COMMENTARY

### INTRODUCTION

Inala Capital's principal objective is to carry on business as an investment holding company to provide investors with attractive long-term returns. Inala Capital focusses on investing in companies which demonstrate strong fundamentals and good growth prospects, where Inala Capital believes it can add value. The Company's primary investment geography is in the Kingdom of Eswatini. Where opportunities are unavailable, the Company will seek opportunities in the Southern African Development Community ("SADC").

### PORTFOLIO REVIEW

For the 12 months ended 31 December 2022, Inala Capital's unlisted equity investment portfolio whilst stable, has not been spared from the devastating economic and trading headwinds that prevailed across sectors within Sub-Saharan Africa, during the 2022 financial year. This included rampant inflation, rising interest rates and reduced purchasing power of consumers that resulted in an extremely tough trading environment across our consumer facing businesses. More specifically, Alliance Foods managed to successfully navigate around many of the said headwinds as consumers shifted their purchasing behaviour towards fast, convenient, good quality and affordable food offerings, whilst General Africa Foods Eswatini and subsidiaries ("GAFE") (early growth stage investment) succumbed to consumers shifting spend away from discretionary goods and consumers trading down (margin squeeze) to maintain their consumption habits with less available disposable income.

## COMMENTARY (continued)

Inala's fixed income investments continue to generate a stable and relatively healthier yield for Inala than the previous period, primarily due to the rising interest rate environment. These instruments are short term in nature, to maximise the return on treasury capital and to have the flexibility to deploy capital to one or other suitable unlisted equity investments or follow-on investments into the current portfolio.

The current unlisted equity portfolio valuation has retreated to E32.4 million as at 31 December 2022 from E35.9 million as at December 2021. This result is driven by a combination of a significant increase in interest rates (Eswatini Central Bank raised the Prime lending rate from 7.25% from December 2021 to 10.00% as at December 2022) that on balance have led to a decrease in equity valuations (as fixed income investments offer a higher risk adjusted returns), as well as a cyclical deterioration in GAFE operating performance. The independent valuations of the unlisted investment portfolio were undertaken by Mazars Corporate Finance South Africa and audited by SNG Grant Thornton Eswatini.

The fixed income investments increased to E22.7 million as at 31 December 2022 from E20.4 million as at 31 December 2021. This is as a result of healthier interest rates and a reinvestment of the interest income generated.

### FINANCIAL REVIEW

The fair value loss on investments is E3.5 million due to a revaluation of both Alliance Foods and GAFE. While Alliance Foods experienced a fair value gain of E1.0 million, GAFE experienced a fair value loss of E4.5 million, which aligns with expectations given the cyclical nature of the cash flows and shift in consumer spending patterns as explained in the Portfolio Review.

Interest income for the period relates to interest received on the fixed income investments and money market returns of the cash and cash equivalents of Inala Capital to the value of E2.6 million. No dividend income was received from underlying investments during the reporting period, as a result of the underlying portfolio companies prioritizing investment into growing their asset base.

Operating expenses amounted to E3.6 million and comprises of day-to-day operational expenses incurred to run Inala Capital, audit fees, independent valuation fees, and the management fee. In summary, Inala Capital made a loss before tax of E4.0 million.

Overall, the Net Asset Value retreated to E58.6 million as at 31 December 2022 from E62.6 million as at 31 December 2021, resulting in a Net Asset Value per share of E0.81, a decrease of E0.06 from E0.87 from 31 December 2021.

### OUTLOOK

While inflationary pressures will persist and economic activity will continue to be subdued, there is an expectation that accommodative monetary policy will act as a catalyst to reignite economic activity. Over and above the structural macro fundamentals that should ease, the quick service restaurant assets will continue to benefit from consumers lifestyle habits that will continue promoting a shift towards fast, convenient, good quality and affordable food offerings. As long as input price pressures can be managed appropriately in this business, these tailwinds should continue driving value accretion in this business. As GAFE has a heightened sensitivity to changes in macro fundamentals, progressive trends in this regard should promote an improvement in trading activity. Noting that GAFE is an early growth stage investment, as the Brand(s) owned by GAFE gain traction in regard to the offering (range, relevance and quality), consumer awareness (increased marketing and consumer education) and accessibility (expanding the footprint), this will further support an improvement in cash generation and ultimately the equity value of this business.

Inala continues to provide investors an opportunity to participate in a diversified range of growth investment opportunities in the food and agricultural sector. These opportunities are supported and driven by distinct structural factors and trends, which include rapid urbanisation leading to increasing demand for food products, population growth, climate change and dietary evolution.

By order of the Board


**AT Dlamini**

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(Incorporated in the Kingdom of Eswatini Reg. No. 2364 of 2017)

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