

Inala Capital Limited

Audited financial results for the year ended 31 December 2023

Figures in Emalangeni	Audited for the year ended 31 December 2023	Audited for the year ended 31 December 2022
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Revenue	1 909 091	-
Unrealised gain (loss) on revaluation of investments	1 068 124	(3 545 000)
Operating expenses	(2 895 993)	(3 047 061)
Operating profit (loss)	81 222	(6 592 061)
Interest income	3 152 279	2 604 046
Finance costs	(1 950)	-
Profit (Loss) before taxation	3 231 551	(3 988 015)
Taxation	958 579	-
Total comprehensive income (loss)	4 190 130	(3 988 015)
Earnings (Loss) per share (cents)	6.00	(6.00)

CONDENSED STATEMENT OF FINANCIAL POSITION		
ASSETS		
NON-CURRENT ASSETS		
Investment in associate	30 260 923	23 050 000
Investment at fair value	-	9 305 000
Deferred tax asset	1 012 369	-
	31 273 292	32 355 000
CURRENT ASSETS		
Trade and other receivables	823 471	6 932
Other financial assets	25 564 765	22 723 053
Cash and cash equivalents	675 573	4 046 849
Amount owed by related parties	2 012 110	-
	29 075 919	26 776 834
Non-current asset classified as held for sale	3 162 201	-
	63 511 412	59 131 834
EQUITY AND LIABILITIES		
EQUITY		
Share capital	73 373 123	73 373 123
Accumulated loss	(10 616 925)	(14 807 055)
TOTAL EQUITY	62 756 198	58 566 068
LIABILITIES		
Current Liabilities		
Other financial liabilities	-	8 318
Trade and other payables	725 516	544 366
Amount owing to related parties	29 698	13 082
TOTAL LIABILITIES	755 214	565 766
TOTAL EQUITY AND LIABILITIES	63 511 412	59 131 834

CONDENSED STATEMENT OF CHANGES IN EQUITY		
SHARE CAPITAL	73 373 123	73 373 123
ACCUMULATED LOSS	(10 616 925)	(14 807 055)
Balance at the beginning of the year	(14 807 055)	(10 819 040)
Total comprehensive income (loss)	4 190 130	(3 988 015)
TOTAL EQUITY	62 756 198	58 566 068

CONDENSED STATEMENT OF CASH FLOWS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	(3 525 034)	(3 061 764)
Interest income	298 457	286 541
Dividend received	1 909 091	-
Tax paid	(53 790)	-
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	(1 371 276)	(2 775 223)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net movement in other financial assets	(2 000 000)	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(2 000 000)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from other financial liabilities	-	21 400
NET CASH INFLOW FROM FINANCING ACTIVITIES	-	21 400
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3 371 276)	(2 753 823)
TOTAL CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4 046 849	6 800 672
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	675 573	4 046 849

Figures in Emalangeni	Audited for the year ended 31 December 2023	Audited for the year ended 31 December 2022
NOTES		
1. STATEMENT OF COMPLIANCE		
The financial results have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Eswatini Companies Act of 2009 and Eswatini Stock Exchange Listing Rules.		
The financial results presented have been reviewed and audited by the auditor of Inala Capital Limited (the "Company" or "Inala").		
2. EARNINGS		
2.1 EARNINGS PER SHARE		
Basic and diluted earnings (loss) per share (cents)	6.00	(6.00)
2.2 NUMBER OF ORDINARY SHARES OF E 0.01 EACH IN ISSUE		
Actual	71 994 000	71 994 000
Weighted average	71 994 000	71 994 000
3. INVESTMENTS		
Unlisted	33 423 124	32 355 000
	33 423 124	32 355 000
4. LOANS AND RECEIVABLES		
Other financial assets	25 564 765	22 723 053
	25 564 765	22 723 053
5. RELATED PARTY TRANSACTIONS		
Management fees	2 015 832	1 974 016
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 year.		
6. CASH USED IN OPERATIONS		
Profit (Loss) before taxation	3 231 551	(3 988 015)
Adjustments for:		
Interest income	(3 152 279)	(2 604 046)
Finance cost	1 950	-
Fair value (gains) losses	(1 068 124)	3 545 000
(Increase) Decrease in trade receivables	(816 539)	(6 932)
Increase (Decrease) in trade and other payables	181 150	(7 771)
Dividend income	(1 909 091)	-
Net movement in balance held with related parties	6 348	-
	(3 525 034)	(3 061 764)

COMMENTARY

INTRODUCTION

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

PORTFOLIO REVIEW

For the period under review, Inala's unlisted equity investment portfolio withstood a persistently tough trading environment in Sub-Saharan Africa and managed to achieve modest equity value growth as compared to the prior reporting period.

Alliance Foods (Pty) Limited ("Alliance Foods"), a leading quick service restaurant business trading under the KFC brand, has continued to outperform the greater Eswatini market and has delivered a robust operating performance through the provision of high quality, fast, convenient, and affordable meal offerings. Alliance Foods continues to be well positioned to service its existing customer base and capture further market share, through menu innovations and further penetration into the existing customer market as well as opening of new sites in underserved areas.

General Africa Foods Eswatini (Pty) Limited ("GAFE"), a business with embedded cyclical characteristics, produced lacklustre results as it succumbed to consumers shifting spend away from discretionary goods and

COMMENTARY (continued)

trading down (margin squeeze) to maintain their consumption habits with less available disposable income.

The current unlisted equity portfolio valuation has increased to E 33.4 million as at December 2023, from E 32.4 million as at December 2022. This 3.3% increase is largely driven by healthy organic growth displayed by Alliance Foods. The independent valuations of the unlisted investment portfolio were undertaken by Mazars Corporate Finance South Africa.

Inala's fixed income investments continued to generate a stable and relatively healthy yield, on the back of the high interest rate environment.

The current value of fixed income investments has increased to E 25.6 million as at December 2023, from E 22.7 million as at December 2022.

FINANCIAL REVIEW

Net fair value gain on investments of E 1.1 million is due to a revaluation of both Alliance Foods and GAFE.

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 to the value of E 3.2 million. Inala received dividend income to the value of E 1.9 million from Alliance Foods during the reporting period.

Operating expenses amounted to E 2.9 million (down from E 3.0m in the prior reporting period) and comprises of day-to-day operational expenses incurred to run Inala, audit fees, independent valuation fees, and the management fee. In summary, Inala made a profit before tax of E 3.2 million.

Overall, the Net Asset Value ("NAV") increased to E 62.7 million as at 31 December 2023 from E 58.6 million as at 31 December 2022, representing a 7.0% increase, resulting in a NAV per share of E 0.87 as at 31 December 2023, from E 0.81 from 31 December 2022. This represents an NAV gain of 7.0% over the reporting period.

CORPORATE ACTION UPDATE

The directors of the company embarked on a strategic initiative aimed at expanding the company's equity interests within the food and agriculture sectors as part of a regional consolidation strategy.

As part of this initiative, a resolution was made to dispose of the company's investment in General Africa Foods Eswatini (Pty) Limited (asset classified as held for sale in the Condensed Statement of Financial Position). The disposition is structured as part of a larger transaction involving the acquisition of equity in an entity that specialises in operating quick-service fast-food outlets within Eswatini. The proposed acquisition would be facilitated through a share swap arrangement, whereby the company would exchange its minority interest in General Africa Foods Eswatini (Pty) Limited for a stake in the fast-food outlet operator.

The execution of these transactions is subject to the successful negotiation of terms and the satisfaction of various conditions precedent, which may encompass regulatory consents, comprehensive due diligence processes, and the finalisation of mutually agreeable terms between all parties involved. At this stage, the directors are actively engaged in negotiations and are working diligently to advance these transactions to a conclusion. The company expects that these strategic transactions will be finalised by the end of 2024, although the exact timing is contingent upon the progress of negotiations and the satisfaction of all necessary conditions.

The financial impact of these events will be assessed and recognised in the financial statements of the year in which the transactions are concluded. As of the date of these financial statements, no adjustments have been made to the financial statements for the year ended 31 December 2023, as the transactions were not completed and the outcomes were not determinable at the reporting date.

OUTLOOK

The short-to-medium-term market forecast for the Eswatini, and the SADC region will continue to be challenging as consumer spending remains under pressure. However, there are promising signs of improvement, influenced by a range of factors, including but not limited to potential further monetary easing from the Eswatini central bank, that are anticipated to stimulate economic growth within the kingdom, against a backdrop of easing global financial system pressures.

To thrive in this demanding global and local economic landscape, Inala will continue to adapt and execute strategies that bolster sustainable economic growth and development. Management has divulged high level details of Inala's strategic repositioning and acquisitions within the agri, and retail sectors are set to ensure that Inala can prioritise a balanced offering of existing portfolio asset growth, new growth opportunities, sustainable shareholder dividends and share price accumulation to drive attractive long-term risk-adjusted returns.

By order of the Board

Chairman
AT Dlamini

30 April 2024

MANAGER



Matsapha Link, Plot 270, 13th Street,
Police College Road, Matsapha
P.O. Box 5727, Mbabane, H100

AUDITOR


SNG Grant Thornton Chartered Accountants
(Eswatini)
Umkhiwa House, 1st Floor
Kal Grant Street, Lot 195
P O Box 331, Mbabane

TRANSFER SECRETARY


SNG Grant Thornton (Advisory) (Eswatini)
(Proprietary) Limited
Umkhiwa House, 1st Floor
Kal Grant Street, Lot 195
P O Box 331, Mbabane

STOCKBROKER


African Alliance Eswatini Securities Limited
P.O. Box 5727, Mbabane, H100

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

Directors: AT Dlamini (Chairman), AMB de Castro, S Khumalo*, NK Mabuza, SS Msibi*, WD Thwala* (*Independent Director)
1st Floor, Matsapha Link, Portion 3 of Plot 582 along College Road & Lihawu Street, Matsapha, Eswatini. PO Box 5727, Mbabane H100
Telephone: [+268] 2518 5556