NUTRITIONAL HOLDINGS LIMITED
ANNUAL INTEGRATED REPORT 2014

» NUTRITIONAL HOLDINGS LIMITED

CORPORATE PROFILE

Nutritional Holdings is a manufacturer and marketer of pharmaceutical products and complementary natural medicines as well as fortified dry food products. The Group's manufacturing and marketing operations are complemented by its research, design and development capabilities. Nutritional Holding's ability to deliver an affordable range of nutritionally fortified and natural products aims to address the malnutrition and immune deficiency problems in South Africa and beyond.

The Nutritional Holdings Group comprises established, complementary, pharmaceutical and nutritional dry foodstuffs manufacturing businesses. The Group manufactures a wide range of nutritional foodstuffs and supplements manufactured from soya, sorghum and maize at its ISO 22000:2005 accredited factory in Klerksdorp as well as certain medicines registered with the Medicines Control Council and other non-registered "complementary" medicines'.

NUTRITIONAL
HOLDINGS

VISION

Nutritional Holdings' vision is to develop and provide nutritious, affordable and sustainable food products to the African market and to actively promote the socio-economic wellbeing of South Africans and people throughout sub-Saharan Africa.

MISSION STATEMENT

Nutritional Holdings' mission is to be the preferred supplier of dry foodstuffs to the Southern African consumer as well as a healthcare service supplier to the lower and middle-income segments of the Southern African market, culminating in sustainable returns for shareholders.

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The new Companies Act allows for the distribution of a summarised report to shareholders. In accordance with the provisions of the new Companies Act, we will make the complete integrated report available on our website (as we currently do viz. www.nholdings.co.za) and printed copies will be available on request. We are sending all shareholders printed copies of the notice to the annual general meeting together with a summarised copy of the annual financial statements, unless shareholders elect to review electronic versions. To the extent that our stakeholders support this initiative, it will result both in an improved environmental impact and cost savings.

EXECUTIVE DIRECTORS

Robert Stephen Etchells (Chief Executive Officer)

Mr Etchells has a BCompt (Hons) degree with CTA and served his articles with Deloitte Haskins & Sells. Mr Etchells completed a Post-graduate Diploma in Management Development at the University of Cape Town's Graduate School of Business. With 20 years' experience in both financial management and general management, Mr Etchells has overseen the turnaround of various businesses and is also a reputable entrepreneur with a "hands on" management approach.

Clayton Dean Angus (Group Financial Director) CA (SA)

Mr Angus is a registered Chartered Accountant CA (SA) and served his articles with KPMG. Mr Angus worked for two years in London before returning to South Africa to continue his career. He previously served as the Chief Financial Officer of Nurturing Orphans of Aids for Humanity (NOAH).

Anthony Robert Jacob Spanjaard (Group Sales and Marketing Director) – resigned 21 May 2014

Mr Spanjaard has ten years' experience in sales and general management having previously served as the Managing Director of Spanjaard Limited. He brings a unique skills set to the Group. Mr Spanjaard started Foodspan Proprietary Limited before joining Nutritional Holdings Limited.

NON-EXECUTIVE DIRECTORS

Glen Rowan Wambach (Independent non-executive director and chairman)

Mr Wambach has completed a number of courses in the medical field. Mr Wambach has spent his entire working career in the medical and pharmaceutical industry and is currently employed with a leading medical aid administrator.

Anthony Richard Pinfold

Mr Pinfold has vast trading experience within the African continent as well as Asia. Mr Pinfold has been a player in the motor industry for over 35 years and is currently the Chairman of GWM South Africa.

Treve Robert Hendry (Independent non-executive director) CA (SA)

Mr Hendry is a registered Chartered Accountant. Mr Hendry is currently the Chief Executive Officer of Argent Industrial Limited and has over twenty years', experience as a senior executive of various JSE listed companies.

Jennifer Ann Etchells CA (SA)

Mrs Etchells is a registered Chartered Accountant in both South Africa and the United Kingdom. In addition, Mrs Etchells has a Masters degree in Commerce (Australia) and a Postgraduate degree in Advanced Taxation. Mrs Etchells has worked in and managed various accounting practices, including Deloitte Haskins & Sells, BDO Spencer Stewart (KZN) Incorporated, and served as the Financial Director of Argent Industrial Limited.

OPERATIONS

Nutritional Foods

Nutritional Foods, which is located in Klerksdorp, has one of the biggest manufacturing factories in South Africa producing fortified dry food and food supplements. It has a large customer base spanning both end user consumers and other leading brand foodstuff suppliers via a nationwide sales and distribution network.

The company has well-established and recognised brands in the industrial catering and mass consumer market segments throughout Southern Africa.

Impilo

The company currently outsources the manufacture of its products via a third party contractor manufacturer located in Gauteng. It has a well-established brand in the lower LSM market segment and has numerous products registered with the South African Medicines Control Council.

NUTRITIONAL FOODS

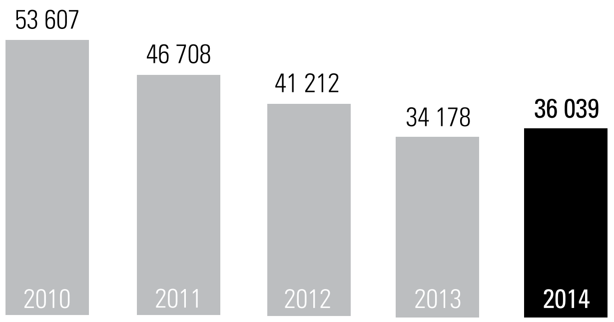
IMPILO DRUGS

» FINANCIAL HIGHLIGHTS

Group turnover of R36,039 million was 5% up on the R34,178 million of the previous year. Gross profit improved by R1,127 million to R14,938 million (+8.2%). The headline loss decreased from a loss of R6,243 million to a loss of R6,067 million, including a R625 295 write-off of a trade debtor, namely Edge to Edge Global Investments Limited.

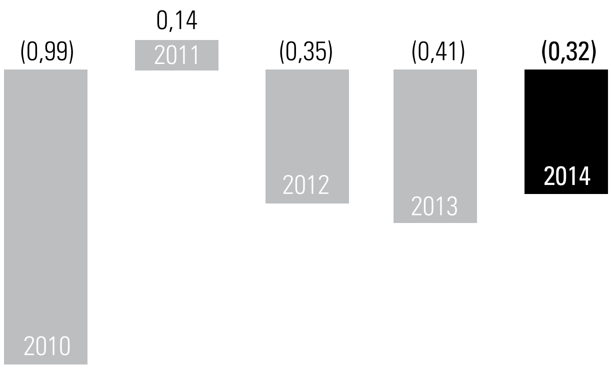
Gearing remains low at 1%. After taking into account "short-term financing (overdraft facilities)", gearing increases to 16%.

REVENUE (R'000)

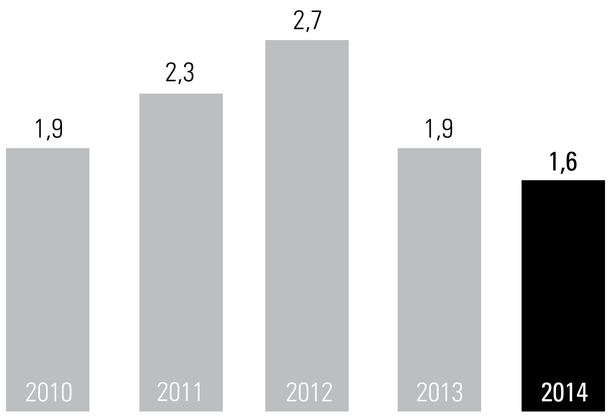


ATTRIBUTABLE (LOSS) EARNINGS (R'000)

HEADLINE (LOSS) EARNINGS PER SHARE (cents)



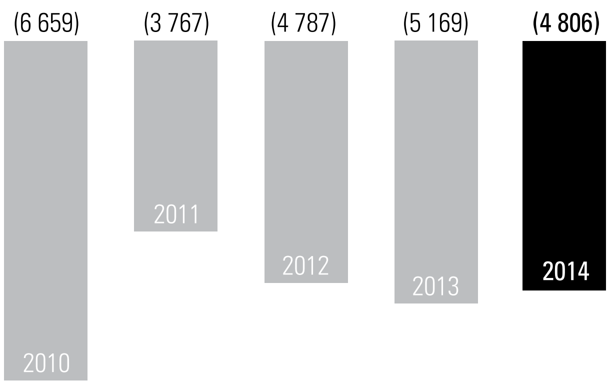
NET ASSET VALUE PER SHARE (cents)



» FIVE-YEAR REVIEW

		2014	2013	2012	2011	Restated 2010
Revenue	(R'000)	**36 039**	34 178	41 212	46 708	53 607
Attributable (loss) earnings for the year	(R'000)	**(6 151)**	(13 433)	4 731	4 542	(9 001)
(Loss)/earnings per share	(cents)	**(0,32)**	(0,89)	0,20	0,15	(0,95)
Headline (loss)/earnings per share	(cents)	**(0,32)**	(0,41)	(0,35)	0,14	(0,99)
Net asset value per share	(cents)	**1,6**	1,9	2,7	2,3	1,9
Net asset value per share (excluding intangibles)	(cents)	**0,9**	1,26	1,46	1,25	0,8
Total assets employed	(R'000)	**44 163**	44 586	54 834	44 236	38 234
Return on shareholders' equity	(%)	**(20,77)**	(37,55)	11,62	17,44	(43,14)

EBITDA (R'000)



INTRODUCTION AND OVERVIEW

The new senior management team that was put in place towards the end of the last financial year was tasked with the implementation of a turnaround programme. Whilst this process is proving to be challenging, they have done a superb job in improving production efficiencies and reducing costs substantially and have targeted new channels for business which should start to pay off soon. There are numerous challenges, including the fact that the typical historical contracts have been lost due to the B-BBEE status of the Group. This is something that is currently being addressed and will assist in the future.

Management has been focusing on ways to improve its routes to market in line with market needs and requirements. The overhead and production costs are under constant review. Strong corporate governance and restoring the corporate image of the Group is also high on the agenda. There has been a major cost reduction as a result of continual internal rationalisation of staff and processes, thanks to senior management's commitment.

With the South African government's initiatives to promote job creation through manufacturing, Nutritional Holdings Limited intends to play its role, which will benefit the shareholders.

I am confident that the results next year will indicate a positive outcome as a result of the growth strategies and renewed focus currently being implemented.

SUSTAINABILITY

We understand the need to ensure long-term sustainability for the Group, which will be achieved through a return to profitability.

We have endeavoured to identify the risks associated with this stage of Nutritional Holdings' business cycle and to ensure that management has mitigated risk as best as practical under the circumstances.

Expansion of our activities will be done cautiously until we have established a platform of sustainable profitability and a strong financial base. Shareholders are cautioned that until we have established this stage, the Group is unlikely to pay dividends.

CORPORATE GOVERNANCE

The recommendations and requirements of the King III Report on Corporate Governance and the Regulations of the JSE form an integral part of the corporate governance framework within which Nutritional Holdings Limited operates.

APPRECIATION

I would like to thank all our business partners for their support during the year and I remain grateful for the support of the board, shareholders, customers, suppliers, staff and other stakeholders of the Nutritional Holdings Group.

GR WAMBACH

Chairman

30 May 2014

INTRODUCTION

Management's main focus during the year under review was to contain overheads at the Group's operating companies as well as to set the platform from which sustainable growth in turnover could be achieved. This exercise has proven to be both time consuming and frustrating, with the pharmaceutical division having to apply to the Medicines Control Council to move its production to a new contract manufacturer in order to achieve the desired increase in gross margins. Coupled with this, the factory in Klerksdorp has continued to operate at below efficient levels due to low orders for its traditional products, resulting in lower than anticipated overhead recoveries. The Group continues to deal with cash flow pressures, which will only abate as and when turnovers increase. This is proving to be challenging for the executive team. However, progress is being made with the Group's entry into the FMCG market with product listings expected during the first quarter of the new financial year.

Management is however, under no illusion that without an injection of capital to fund expenditure on certain operational assets to alleviate bottle necks in the production flow at its Klerksdorp factory, as well as increased working capital requirements to fund the growth in turnover, achieving the turnaround strategy will prove difficult.

NUTRITIONAL FOODS DIVISION

The company continued its programme of re-engineering its entire packaging range to facilitate entry into the FMCG market as well as increasing it's offering to the traditional industrial kitchen sector. It is envisaged that this will assist management in building sustainable levels of turnover and by doing so, improve operational efficiencies at the factory. As highlighted in last year's report, it is anticipated that the financial effects of this strategy will be seen in the next 12 to 18 months.

PHARMACEUTICAL DIVISION

During the year under review the Impilo business unit operated via a contract manufacturing agreement with a third party contract manufacturer in KwaZulu-Natal. Supply problems from this third party contractor have severely hampered the company's ability to meet orders and achieve acceptable gross margins. During the latter half of the previous reporting period, management took the decision to source additional contract manufacturers to ensure consistency of supply. To this end, the company applied to the Medicines Control Council of South Africa to have additional contract manufacturers approved on its registered dossiers. This process was finalised in November 2013, with all production moving to a new contract manufacturer in January 2014.

It is anticipated that the results of this initiative will pull through to the statement of comprehensive income in the next financial year.

FINANCIAL PERFORMANCE

Group turnover of R36,039 million was 5% up on the R34,178 million of the previous year. Gross profit increased by R1,127 million to R14,938 million (+8.2%). The loss for the year decreased from a loss of R13,433 million to a loss of R6,151 million. The headline loss decreased from a loss of R6,243 million to a loss of R6,067 million. This includes a R625 295 write-off of a trade debtor, namely Edge to Edge Global Investments Limited.

The Group's gearing remains low at 1%. After taking into account "short-term financing (overdraft facilities)", gearing increases to 16%.

PROSPECTS

During the year under review, management's strategy of transforming the Group's activities into three legs, being the manufacture and sale of traditional products into industrial kitchens/feeding schemes, entry into the FMCG market and third party contract/toll manufacturing has taken longer than originally expected due to very tight cash flow constraints and price competitive issues due to inefficiencies at the Klerksdorp factory. Management is, however, confident that with increased volumes it will be able to improve overhead recoveries which in turn will assist with its ability to become more competitive from a pricing perspective. In this regard, management have been actively discussing possible joint ventures and co-branding opportunities with strategic partners. This strategy will continue during the coming financial year with the intention of unlocking production potential at the Klerksdorp manufacturing plant. With the move of all manufacturing of its pharmaceutical division to a new third party contract manufacturer, management expects gross margins to increase as well as to become more competitive in the market place regarding pricing on the shelf. Management has identified the need to introduce a Broad-Based Black Economic Empowerment partner to facilitate growth in the industrial catering environment within the mining industry, as well as access to government tenders in state run facilities, and is actively pursuing this at present.

In November 2013 management informed shareholders that legal action had been instituted against Edge to Edge Global Investments Limited for the recovery of a trade debtor owed to Nutritional Foods Proprietary Limited. Shareholders are further advised that on 23rd May 2014, the KwaZulu-Natal division of the High Court of South Africa granted a final liquidation order against Edge to Edge Global Investments Limited in favour of a group of minority shareholders in Edge to Edge Global Investments Limited. As a result thereof, the full amount owing to Nutritional Foods Proprietary Limited, being R625,295, was written off in the statement of comprehensive income of the Group. Shareholders are advised that at this stage management sees little possibility, if any, of any future revenue streams from the "exclusive manufacturing agreement" entered into with Edge to Edge Global Investments Limited for the manufacture of the Imuniti Nutritional Supplement Combo Pack. The full value of this investment was written down to Nil in the previous reporting period.

RS ETCHELLS
Chief Executive Officer

30 May 2014

The Nutritional Holdings Group endorses the Code of Corporate Practices and Conduct as contained in South Africa's King III report. The Group believes that its governance practices are sound and that the Group conforms to the principles embodied within the King III Report on Corporate Governance ("King III") and the Listings Requirements of the JSE Limited ("JSE").

Nutritional Holdings and its subsidiaries are intent on implementing the highest standards of corporate governance. The Group is committed to good corporate citizenship and organisational integrity in the running of its affairs.

This commitment provides stakeholders with the comfort that the Group's affairs will be managed in an ethical and disciplined manner. Nutritional Holdings' philosophy is founded on principles of transparency, accountability and responsibility.

JSE

The JSE Listings Requirements require that the Group reports on the extent of its compliance with King III. The Group has committed itself to the adoption of King III and details of the Group's compliance with its recommendations are provided below.

Board of Directors

The board of directors maintains full and effective control over the affairs of the Group. In terms of the governance philosophy of the Group, a clear division of responsibilities at board level ensures a balance of power and authority, such that no one individual has unfettered powers of decision making.

The non-executive directors are high calibre professionals and are sufficient in number for their independent views to carry significant weight in the board's deliberations and decisions. They are independent of management and are free to make their own decisions and independent judgments. They enjoy no benefits from the Group for their services as directors, other than their fees and the potential gains and dividends on their interests in ordinary shares. No share options are granted to non-executive directors.

The Group operates in terms of a formally approved Board Charter which sets out its role and responsibilities, the main elements being the following:

- Nominations for appointment to the board are formal and transparent and submitted to the full board for consideration;
- The chairman of the board must be an independent, non-executive director;
- A formal orientation programme for new directors must be followed;
- Specific policies, in line with King III, must exist with regard to conflicts of interest and the maintenance of a register of directors' interests;
- They must conduct an annual self-evaluation;
- Directors must have access to staff, records and the advice and services of the Company Secretary;
- Succession planning for executive management must be in place and must be updated regularly;
- Strategic plans and approvals framework must be in place and must be reviewed regularly;
- Policies to ensure the integrity of internal controls and risk management must be in place;
- Social transformation, ethics, safety, health, human capital and environmental management policies and practices must be monitored and reported on regularly.

Appointments to the board are formal, transparent and a matter for the board as a whole. Curricula vitae are obtained, and circulated to all board members. Interviews are conducted with the short-listed people. Appointments are then made by a board resolution.

Any appointments to the board are made taking into account the need for ensuring that the board provides a diverse range of skills, knowledge and expertise, the requisite independence, the necessity of achieving a balance between skills and expertise and the professional and industry knowledge necessary to meet the Group's strategic objectives.

The Board meets at least quarterly on a formal basis. Additional meetings are arranged where deemed necessary. A detailed breakdown of each director's attendance at the meetings concerned is indicated on the next page:

ATTENDANCE OF DIRECTORS AT BOARD MEETINGS DURING THE YEAR UNDER REVIEW

	25 March 2013	3 May 2013	4 October 2013	21 February 2014
GR Wambach (Chairman)	✗	✗	✗	✗
TR Hendry	✗		✗	
JA Etchells	✗	✗	✗	✗
AR Pinfold	✗	✗	✗	✗
RS Etchells	✗	✗	✗	✗
CD Angus	✗	✗	✗	
ARJ Spanjaard* (resigned 21 May 2014)			✗	✗

* *Director was appointed during the year and was therefore not eligible to attend all meetings.*

To enable the board to properly discharge its responsibilities and duties, certain responsibilities of the board have been delegated to board committees. All board committees are chaired by an independent non-executive director. Board committee charters are reviewed on an on-going basis to ensure that the committees' duties and responsibilities are aligned with the requirements of corporate governance and keep abreast of developments in this field.

The Audit and Risk Management Committee is a statutory committee in accordance with the Companies Act, No 71 of 2008 and in terms of the recommendations set out in King III, shareholders are required to elect the members of this committee at the company's next annual general meeting.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee is chaired by Mr TR Hendry, an independent non-executive director. The members, who are non-executive directors, meet at least twice a year with management and external auditors. Mr GR Wambach, who is also chairman of the board of directors, remains a member as an independent non-executive director. Mr Wambach's appointment does not comply with King III in that he is the chairman of the board of directors and also a member of the Audit and Risk Management Committee. Mr AR Pinfold was appointed as a member on 3 May 2013 as a non-executive director.

PARTIAL NON-COMPLIANCE WITH THE JSE LISTINGS REQUIREMENTS

Section 94(2) of the Companies Act requires a public company to elect an audit committee comprising a minimum of three members at each annual general meeting of the company. Such members are required to be non-executive directors of the company (section 94(4) of the Companies Act). The JSE Listings Requirements, which require compliance with King III, requires the audit committee of a public company to comprise a minimum of three independent non-executive directors. In terms of meeting this requirement, Nutritional Holdings Limited does not fully comply with the JSE Listings Requirements in that only two of the three non-executive directors are independent. Nutritional Holdings Limited will keep Mr AR Pinfold on as a member of its Audit and Risk Management Committee, thus avoiding a breach of section 94(2) of the Companies Act which would occur should Mr Pinfold step down as a member of the Audit and Risk Management Committee, leaving only two members remaining. Nutritional Holdings Limited is in the process of finding a suitable candidate to appoint as an additional independent non-executive director of its Audit and Risk Management Committee to ensure full compliance with the JSE Listings Requirements. Such appointee will then replace Mr Pinfold and the company will as a result be fully compliant with the JSE Listings Requirements.

The Group believes that the members of the committee are knowledgeable about the affairs of the Group and have extensive expertise in finance, accounting and risk management practices.

AUDIT AND RISK MANAGEMENT COMMITTEE RESPONSIBILITIES

The Audit and Risk Management Committee fulfils the responsibilities as set out in the Audit and Risk Management Committee Charter, which includes:

- Overseeing the internal and external audit function;
- Assisting the board in the discharge of its duties relating to the safeguarding of the Group's assets and operation of adequate systems and internal controls;

- The preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards;
- Providing support to the board on the risk profile and risk management of the Group;
- Evaluating and confirming the independence of the external audit function; and
- Reviewing the expertise, resources and experience of the Group Financial Director.

Committee members have unlimited access to all information, documents and explanations required to discharge their duties. This authority has been extended to the external auditors. The board is provided with regular reports on the activities of the committee.

Additional information regarding the committee is contained in the Report of the Audit and Risk Management Committee on page 14.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Human Resources and Remuneration Committee presently consists of two independent non-executive directors and one non-executive director. The committee meets at least twice a year and operates according to a board-approved charter.

Members of the committee:

JA Etchells – *non-executive director* (Chairperson)

GR Wambach – *Independant non-executive director*

TR Hendry – *Independant non-executive director*

Consideration is given during the meetings to succession planning, training and development, employment equity, broad-based black economic empowerment, human resources policies, wellness programmes and remuneration of management and executive and non-executive directors.

The remuneration policy focuses on market-related payments to management and directors with the objective to retain the services of capable individuals.

ATTENDANCE OF THE CURRENT MEMBERS AT HUMAN RESOURCES AND REMUNERATION COMMITTEE MEETINGS		
	3 May 2013	**4 October 2013**
JA Etchells	✗	✗
GR Wambach	✗	✗
TR Hendry		✗

RESTRICTIONS ON SHARE DEALINGS

Directors and employees are prohibited from dealing in Nutritional Holdings' shares during price-sensitive periods. There is a formal clearance procedure in place with respect to directors' dealings in Nutritional Holdings' shares. Closed periods extend from 31 August and 28 February, being the commencement of the interim and year-end reporting dates respectively, up to the date of announcement of interim and year-end results, and include any other period during which the company is trading under a cautionary announcement.

All directors are required to obtain written permission from the chairman before dealing in any Nutritional Holdings' shares in order to protect them against possible and unintentional contravention of the insider trading laws and stock exchange regulations.

RELATIONSHIP WITH THE SHAREHOLDERS AND STAKEHOLDERS

Management maintained communication with shareholders through SENS announcements and regular information on the official Nutritional Holdings Limited website – www.nholdings.co.za.

COMPANY SECRETARY

Ms Giordana Alessandra Verga resigned as Company Secretary effective 30 September 2013. Mrs Jennifer Ann Etchells ("Jenny") was appointed as the Company Secretary effective 14 October 2013. Jenny is a Chartered Accountant (SA) as well as a Master Tax Practitioner (SA). She holds a BCompt (Hons) degree as well as an HDipp tax degree. Jenny qualified as a Chartered Accountant (SA) in 1987 and has worked in the audit, tax and accounting industry for twenty-eight years, twenty of which as a partner of Deloitte, BDO Spencer Stewart and her own auditing practice. She has ten years' experience with three JSE listed companies. In addition, Jenny served as the Financial Director of two

JSE listed companies, Argent Industrial Limited and subsequently Nutritional Holdings Limited for three and a half years. During her time in the audit, tax and accounting industry as well as in her position as Financial Director, she gained a vast amount of experience in the requirements needed to fill the position of Company Secretary.

Jenny is also a non-executive director of Nutritional Holdings Limited and holds a number of shares directly in the company and she therefore does not have an arm's length relationship with the board. In terms of King III, a director should not be the Company Secretary however, the Board feels that as the Company Secretary is accountable to the Board through the Chairman on all matters relating to her duties in terms of section 88 of the Companies Act and the Chairman is an independent non-executive Director, they are able to ensure that she effectively performs the role as the gatekeeper of good corporate governance in the company. The board is of the opinion, however, that she is suitably qualified and experienced to carry out her duties as stipulated under section 88 of the Companies Act. The Company Secretary provides guidance to the directors on their duties and ensures awareness of all relevant statutory requirements and legislation. All directors have access to the advice and services of the Company Secretary who at the Group's expense will arrange independent professional advice for the directors where the directors request it.

The certificate required to be signed in terms of section 88 of the Companies Act appears on page 22.

GOING CONCERN

Attention is drawn to the fact that at 28 February 2014, the Group had accumulated losses of R107 765 million (2013: R101 614 million).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Group to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations of the Group.

The Group's gearing ratio remains low at 1%. After taking into account "short-term financing (overdraft facilities)" gearing increases to 16%.

CODE OF ETHICS

The Group's ethics policy requires all employees to act with the utmost good faith and integrity and compliance with the applicable legislation. This ensures that Nutritional Holdings remains committed to conducting business in a manner that is above reproach in all reasonable circumstances. In addition, the Group strives to provide a work environment that is non-discriminatory, with sound safety, health and environmental practices.

INTERESTS OF DIRECTORS

The Company Secretary keeps a register of directors' interests in contracts in terms of the Companies Act. The register is available for inspection upon request by those who are entitled to access. The directors have declared their interest in contracts or arrangements entered into by the company or its subsidiaries. Directors are required to inform the board timeously of conflicts of interest they may have in relation to the business and are consequently excluded from voting on such terms.

INTEGRATED SUSTAINABILITY REPORTING

The sustainability report on pages 16 to 20 is a review of the nature and extent of the company's social transformation, safety, health and environmental management policies and practices.

RISK MANAGEMENT

The Group's main objective is to provide value to shareholders through a long-term sustainable real return on capital as a result of taking business risk within an appropriate risk framework. The board of directors acknowledges its responsibility for establishing, monitoring and communicating appropriate risk and control policies and ensuring sufficient capital is held to support the taking of risk. The board also regards the management of risk as a key business process which ensures that the Group is protected against uncertain events which could prevent the Group from achieving its objectives.

The Group continually updates its vision, strategy, values and business objectives and the requirement for a robust risk management process is critical in ensuring the sustainability of the business model. The directors of the Group unanimously support the long-term creation and protection of wealth of its shareholders and fairness to all stakeholders.

The board reviews risk, including financial, operational, strategic and environmental risks, on an ongoing basis. This review process is carried out to ensure that management continuously identifies potential risk and updates the risk profile of the Group. From this profile, the Group is able to ensure that the necessary control procedures are implemented to mitigate such risk and, in addition, management is able to respond timeously to any exposure to risk.

STRATEGIC AND BUSINESS RISK

Strategic risk is the risk that the Group's future business plans and strategies may be inadequate to prevent financial loss or protect the Group's competitive position and shareholders' returns. Negative business risk arises from unexpected losses due to changes in business volumes, margins and costs.

The directors recognise that the business, results of operations and financial condition may be adversely affected in the future due to any of the risks outlined below.

Political, social and economic conditions

The Group is incorporated and operates in South Africa and therefore the country's political, social and economic conditions are relevant.

South Africa faces many challenges in overcoming substantial inequalities in levels of social and economic development among people. The South African government has taken a number of significant steps towards addressing the political tensions and social and economic problems in South Africa, although certain problems still exist but will reduce with time. While South Africa features a highly developed financial and legal infrastructure at the core of its economy, it presently has high levels of unemployment, poverty and crime. Particular consideration includes how the South African government will ultimately address such tensions and problems, to what extent its efforts will be successful, the political, social and economic consequences of such efforts and the effect on South African businesses of the continuing integration of the South African economy with the economies of the rest of the world. The economic direction of South Africa may be influenced by the extent to which the South African government, organised labour and business are able to agree upon common goals and the means of achieving them. While the Group believes that the economic sentiment is positive for the future, these political, social and economic problems may have a negative impact on the South African economy. The board of directors will engage with government as required to mitigate the effect of these conditions on the Group.

Broad-Based Black Economic Empowerment (B-BBEE) is an integral part of the South African government's economic transformation strategy. The Group is in the process of implementing B-BBEE initiatives and achieving its targets in meeting an acceptable B-BBEE scorecard.

Key personnel

The Group's performance depends to a large extent on the efforts and abilities of its key personnel and other employees. The Group believes that its success will continue to depend, in part, on its ability to continue to attract, retain and motivate the necessary personnel, including executive officers and certain other key management.

The responsibility of overseeing the day-to-day operations and strategic management of the Group depends substantially on senior management and key personnel. The inability to recruit personnel of the correct calibre could have a material adverse effect on the business of the Group. The board is busy reviewing the Group's remuneration policies to mitigate this risk.

The Group's objectives

The ability of the board to implement the Group's strategy could be adversely affected by changes in the economy and/or industry in which it operates. Although the Group has a clearly defined strategy and the board is optimistic about its prospects, there can be no guarantee that its objectives will be achieved on a timely basis or at all. The Group's ability to attract new growth opportunities is also dependent on the maintenance of its reputation.

Competition

The Group competes with numerous other local and international companies and individuals, including larger competitors with access to greater financial, technical and other resources than the Group, which may give them a competitive advantage in the market.

The Audit and Risk Management Committee is a formally constituted sub-committee of the board of directors and in addition to having specific statutory responsibilities to the shareholders in terms of the South African Companies Act, it assists the board by advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance of the Group.

Terms of reference

The Audit and Risk Management Committee has adopted formal terms of reference that have been approved by the board and has executed its duties during the past financial year in accordance with these terms of reference. The terms of reference are regularly reviewed and updated where necessary.

Composition

The committee currently consists of two independent non-executive directors and one non-executive director. During the period under review the committee members continued in office and as at 28 February 2014 as well as after year-end the Audit and Risk Managment Committee comprised:

Name	Qualifications	Period served
TR Hendry (Chairman)	BCompt (Hons) CA (SA)	22 June 2011 to date
GR Wambach	Marketing and Management Diploma, Business Management (MDP), ILPA Health Benefit Management	4 March 2011 to date
AR Pinfold	Vast trading experience within the African continent as well as Asia. Chairman of GWM SA.	3 May 2013 to date

The Chief Executive Officer, the Chief Financial Officer, Ms JA Etchells (a non-executive director), representatives from the external auditors and the designated advisor attend the committee meetings by invitation. The external auditors have unrestricted access to the Audit and Risk Management Committee and its chairman.

Meetings

ATTENDANCE OF MEMBERS AT THE AUDIT AND RISK MANAGEMENT COMMITTEE MEETINGS DURING THE PERIOD			
	10 May 2013	**4 October 2013**	**21 February 2014**
TR Hendry (Chairman)	✗	✗	
GR Wambach	✗	✗	✗
AR Pinfold	✗	✗	✗

Statutory Duties

In execution of its statutory duties during the past financial year, the Audit and Risk Management Committee:

- Nominated for appointment as external auditors, Grant Thornton and Mr D Nagar as the individual auditor, who in our opinion are independent of the Group;
- Determined the fees to be paid to Grant Thornton as disclosed in note 19 to the financial statements and the paragraph on external audit overleaf;
- Determined Grant Thornton's terms of engagement;
- Believes that the appointment of Grant Thornton complies with the relevant provisions of the Companies Act, The JSE Listings Requirements and King III;
- Pre-approved all non-audit service contracts with Grant Thornton;
- Received no complaints relating to the accounting practices of the company, the content or auditing of its financial statements, the internal financial controls of the company, and any other related matters;
- Reviewed the draft audited financial statements and annual report, the preliminary profit announcement and interim statements;
- Met with the external auditors to discuss the annual financial statements prior to their approval by the board; and

- Made the following submission to the board on matters concerning the Group's accounting policies, financial control, records and reporting:

We concur that the adoption of the going concern premise in the preparation of the financial statements is appropriate.

The objectives of the committee were met during the year under review.

Oversight of Risk Management
The committee has satisfied itself that the following areas have been appropriately addressed:

- Financial reporting risks;
- Internal financial controls;
- Fraud risks as they relate to financial reporting;
- IT risks as they relate to financial reporting, and
- Reviewed tax and technology risks, in particular, how they are managed.

Internal Financial Controls
The committee has:

- Reviewed the effectiveness of the Group's system of internal financial controls, including receiving assurance from management;
- Reviewed significant issues raised by the external auditors in their reports; and
- Reviewed policies and procedures for preventing and detecting fraud.

Based on the processes and assurances obtained, the committee believes that the significant internal financial controls are effective.

Regulatory Compliance
The Audit and Risk Management Committee has complied with all applicable legal and regulatory responsibilities.

External Audit
Based on processes followed and assurances received, nothing has come to the committee's attention with regard to the external auditor's independence.

Fees for audit services are disclosed in note 19 to the financial statements.

Based on its satisfaction with the results of the activities outlined above, the committee has recommended the re-appointment of Grant Thornton to the board and shareholders.

Financial Function and Financial Director Review
The committee has reviewed the expertise, resources and experience of the company's finance function and are satisfied that these requirements are adequate for the forthcoming year.

The committee reviewed the appropriateness and expertise of the current Chief Financial Officer and confirms his suitability in terms of the JSE Listings Requirements.

Annual Integrated Report
The committee has reviewed the annual financial statements of Nutritional Holdings Limited and the Group for the year ended 28 February 2014 and based on the information provided to the committee, considers that the Group complies in all material respects with the requirements of the Companies Act and International Financial Reporting Standards and the committee recommends the annual integrated report to the board for approval.

The integrated report has been prepared in line with the best practice pursuant to the recommendations of the King III Code. The committee acknowledges that the integrated reporting is in its infancy and that the report will improve over time as practice evolves.

On behalf of the Audit and Risk Management Committee

TR Hendry
Chairman

30 May 2014

We conduct our business to make a profit and return value to those who have invested in us through the delivery of an affordable range of nutritional fortified food products as well as pharmaceutical, natural and complementary medicines, with the aim to address the malnutrition and immune deficiency problems in South Africa. We aim to build value for our stakeholders and other stakeholders by addressing our social, environmental and economic impacts.

RESPONSIBILITY FOR SUSTAINABLE DEVELOPMENT

The board accepts overall responsibility for the advancement of sustainable development with the assistance of the board sub-committees. The day-to-day responsibility is delegated to executive management. We understand the responsibility to the people who enable us to conduct business and the country in which we operate. We acknowledge that it is important to manage our economic, social and environmental relationships effectively, which should ensure a better quality of life for all our stakeholders.

OUR SUSTAINABILITY AGENDA

Our sustainability agenda comprises the following goals:

- We will strive to be a recognised manufacturer and distributor of superior quality complementary, natural and pharmaceutical medicines as well as protein and fortified powdered nutritional food products and supplements to be able to actively promote the socio-economic wellbeing of South Africans;
- We will strive to uphold high standards of corporate governance within our market place;
- We will actively address the impacts of our business on the natural environment as we use natural resources which are all finite and therefore have to be managed with care; and
- We will strive to ensure that we have the right people and culture to meet our goals.

ASSURANCE

We are committed to ensuring that the non-financial information provided in this annual report is accurate. It is believed that the expectations reflected in this statement are reasonable, but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated.

We have taken a number of important steps forward in our sustainability endeavours as we progress towards meeting and exceeding the expectations of the stakeholders.

VALUE-ADDED STATEMENT

		2014 R'000	2013 R'000
Sale of goods and services		36 039	34 178
Cost of materials and services		28 909	33 787
Value added from trading operations		7 130	391
Non-operating income		106	555
Total value added		7 236	946
Value distributed as follows:			
To remunerate employees:			
Salaries, wages, pensions, bonuses and other benefits		12 042	13 129
To reward providers of capital:			
Interest on loans		488	696
To the government:			
Company tax		50	(138)
To replace assets:			
Depreciation and amortisation		807	692
To expand the Group:			
Retained earnings		(6 151)	(13 433)
		7 236	946
To remunerate employees	(%)	166	1 388
To reward providers of capital	(%)	7	74
To the government	(%)	1	(15)
To replace assets	(%)	11	73
To expand the group	(%)	(85)	(1 420)

RISK MANAGEMENT

The board is responsible for the total process of risk management for the Group and uses the risk assessment monitor as its main source of information to determine the effectiveness of the Group's risk management process. The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed. These include credit granting risks, crime, the shift in spending patterns, and foreign currency and interest rate risks. Operational and financial risks are managed through detailed systems of operating and financial controls which are reviewed and monitored regularly.

Losses from defaulting debtors are limited by stringent credit application criteria and clearly defined credit and collection policies. These are reviewed regularly in the light of prevailing economic conditions and bad debt statistics.

With assistance from expert insurance consultants, risks are assessed and insurance cover purchased for all risks above predetermined self-insured limits. Levels of cover are reassessed annually in the light of claims experienced and changes within and outside the Group.

ENVIRONMENTAL SUSTAINABILITY

The Group is conscious of the fact that in carrying out its activities there is a potential risk of environmental damage. Our underlying environmental philosophy is the adoption of protective strategies to manage and control the impact of our manufacturing operations upon the environment, at the same time as safeguarding our assets and human resources.

An effort has therefore been made to educate all employees in best practice so as to avoid causing long-term damage to the environment or atmospheric pollution through the inappropriate use of plant and equipment.

The following are some of the efforts made to reduce damage to the environment:

- Time switches added to geysers;
- Day light switches added to lights;
- Boiler converted from diesel to paraffin; and
- Hot water circulation converted to save energy.

SOCIAL RESPONSIBILITY

We acknowledge our social responsibility towards the communities in which we operate and deserving institutions at large. The Social and Ethics Committee was formed in terms of the new requirements of the Companies Act. The Social and Ethics Committee is made up of G R Wambach, J A Etchells and C D Angus.

EQUALITY

The Group is an equal opportunity employer and there is no discrimination on the basis of ethnic origin or gender or in any other manner. A number of programmes are in place to ensure that the Group's employee profile will become increasingly representative of the demographics of the regions in which it operates whilst maintaining the Group's high standards.

EMPLOYEE PARTICIPATION

The Group will continue to have its operating decisions made at the appropriate levels. Participative management lies at the heart of this strategy, which relies on the building of employee partnerships at every level to foster mutual trust and to encourage people to think at all times about how they can "do things better". The Group strives to liberate the initiative and energies of its people, because it is they who make the difference in the Group's performance.

A share incentive scheme exists to provide employees of the Group the opportunity to acquire shares in the capital of the Group and to give such employees the incentive to advance the interests of the Group for the ultimate benefit of the stakeholders.

EMPLOYEES

The number of employees at the end of February 2014 is 34.

HEALTH AND SAFETY

We comply with the Occupational Health and Safety Act and Department of Labour rules and regulations.

EMPLOYMENT EQUITY

We comply with the Employment Equity Act, No 55 of 1998, and regular reports are submitted to the Department of Labour. Employment equity committees have been established to set and monitor progress. We believe that no unfair discrimination exists in the workplace.

HIV/AIDS

In 2006 Imuniti purchased the rights to manufacture and market the Imuniti Nutritional Supplement Combo Pack ("ISCP") in South Africa from Edge to Edge Global Investments Limited. ISCP is a nutritional pack consisting of eight different natural products. The pack has shown to have anti-bacterial and anti-viral properties and provides one person with adequate sustenance and a balanced intake of all required micro- and macronutrients for a one-month period.

ETHICS AND VALUES

Nutritional Holdings shares the commitment to:

- Employee development;
- Participation and empowerment;
- Wealth creation, reward and recognition;
- Respect, dignity and equal opportunity;
- A safe and healthy work environment;
- Community and environmental commitment;
- Open communication;
- Continuous improvement;
- Product quality; and
- Customer service.

The Group endeavors to act with honesty, responsibility and professional integrity in its dealings with employees, shareholders, customers, suppliers and society at large. Employees are required to maintain the highest ethical standards in ensuring that business practices are conducted in a manner which in all reasonable circumstances is above reproach. In any instance where ethical standards are called into question, the circumstances are investigated and resolved in an appropriate and fair manner.

STAKEHOLDER ENGAGEMENT

As a listed entity, we comply with legal communication requirements. We believe in regular dialogue with stakeholders and the investor community as a whole. Regular SENS announcements are published to keep the stakeholders informed.

Our website provides up-to-date information to stakeholders.

Communication with stakeholders takes place in the following manner:

Stakeholders and other providers of capital

- Website
- SENS announcements
- Trading updates
- Bi-annual results announcements
- Annual report

Industry

- Member of the South African Association of Food Science and Technology (SAAFOST)

Business partners and customers

- Face-to-face meetings
- Regular discussions

Staff and unions

- Management meetings
- Union meetings
- Employment equity meetings

Suppliers

- Regular discussions
- Presentations to procurement committees

PRODUCT RESPONSIBILITY

The continuous need for food manufacturers to market products that meet the required food safety standards has resulted in a review of various statutory requirements and industry legislation in order to implement better product quality and food safety.

PACKAGING AND INGREDIENT SUPPLIERS

Packaging and ingredient suppliers have a major impact on the risk management of food quality and safety and are managed accordingly. We drive a policy to exclude dealings with suppliers that pose a threat to our product responsibility. Food Safety Certification is a compulsory requirement for ingredient suppliers and continuous communication and controls have been established to prevent potential risks occurring.

We purchase our pharmaceutical, natural and complementary medicines from suppliers that are registered (or in the process of registration) with the SA Medicines Control Council (MCC). These suppliers are subject to the very stringent rules as required by the MCC.

» REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of Nutritional Holdings Limited
We have audited the consolidated and separate financial statements of Nutritional Holdings Limited set out on pages 27 to 63, which comprise the statements of financial position as at 28 February 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements
The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Nutritional Holdings Limited as at 28 February 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 36 to the financial statements which indicates that the Group had an accumulated loss of R107 765 million for the year ended 28 February 2014. Note 36 also indicates that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

Other reports required by the Companies Act
As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2014, we have read the Director's Report, Audit and Risk Management Committee's Report and the Company Secretary's Declaration for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Grant Thornton

Grant Thornton
Chartered Accountants (SA)
Registered Auditors

Deepak Nagar
Partner
Chartered Accountant (SA)
Registered Auditor

30 May 2014

2nd Floor
4 Pencarrow Crescent
Pencarrow Park
La Lucia Ridge Office Estate
La Lucia
4019

» DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are responsible for the preparation and integrity of the annual financial statements of the company and the Group, which have been prepared in accordance with International Financial Reporting Standards, the requirements of the Companies Act and the JSE Listings Requirements, under the supervision of the Chief Financial Officer, Mr CD Angus CA (SA).

In preparing the financial statements, the company and the Group have used appropriate accounting policies, supported by reasonable and prudent judgment and estimates, and have complied with all applicable accounting standards. The directors are of the opinion that the financial statements fairly present the financial position of the company and the Group at 28 February 2014 and the results of their operations for the year then ended.

The directors have considered the Group's past results, expected future performance and reasonable changes thereto, and access to its funding, material and other resources, and are of the opinion that the company and the Group will continue as a going concern.

The directors are responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatement and loss. Based on the information and explanations given by management and the comment by the independent auditors on the results of their statutory audit, nothing has come to the attention of the directors which indicates that, in all material aspects, Nutritional Holdings' system of internal controls and risk management are not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The opinions of the directors are supported by the Audit and Risk Management Committee.

The company's independent external auditors, Grant Thornton, have audited the financial statements and their unqualified report appears on page 21.

The annual financial statements, as set out on pages 27 to 63, were approved by the board of directors on 30 May 2014 and are signed on its behalf by:

GR Wambach
Chairman

RS Etchells
Chief Executive Officer

Durban
30 May 2014

» DECLARATION BY COMPANY SECRETARY

The Company Secretary certifies that the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the South African Companies Act, and that all such returns are true, correct and up to date.

JA Etchells CA (SA)
Company Secretary

Durban
30 May 2014

The directors take pleasure in submitting their report for the year ended 28 February 2014 on the company and Group results for the year under review.

NATURE OF BUSINESS

The Group is engaged in the manufacture of fortified dry food products and supplements, as well as the sale of registered pharmaceutical products and complementary natural medicines in South Africa.

REVIEW OF ACTIVITIES

The net loss of the Group for the year was R6,151 million (2013: loss R13,433 million) after taxation of R0,050 million (2013: R0,138 million).

The operating results and state of affairs of the Group are fully set out in the attached financial statements and do not in our opinion require any further comment.

GOING CONCERN

We draw attention to note 36 on Going Concern on page 61.

SUBSEQUENT EVENTS

ARJ Spanjaard resigned as an executive director of Nutritional Holdings Limited effective 21 May 2014.

In November 2013, management informed shareholders that legal action had been instituted against Edge to Edge Global Investments Limited for the recovery of a trade debtor owed to Nutritional Foods Proprietary Limited. On 23 May 2014 the KwaZulu-Natal division of the High Court of South Africa granted a final liquidation order against Edge to Edge Global Investments Limited in favour of a group of minority shareholders in Edge to Edge Global Investments Limited. As a result thereof, the full amount owing to Nutritional Foods Proprietary Limited, being R625,295, was written off in the statement of comprehensive income of the Group. Shareholders are further advised that at this stage management sees little possibility, if any, of any future revenue streams from the "exclusive manufacturing agreement" entered into with Edge to Edge Global Investments Limited for the manufacture of the Imuniti Nutritional Supplement Combo Pack. The full value of this investment was written down to Nil in the previous reporting period.

The directors are not aware of any other material matters or circumstances arising since the end of the financial year that are not disclosed in the integrated report.

STATEMENT OF RESPONSIBILITY

The directors' statement of responsibility is addressed on page 22 of this annual report.

DIVIDENDS

In view of the Group's current financial position, no dividend has been declared for the year.

AUTHORISED AND ISSUED STATED CAPITAL

There were the following changes in the authorised share capital of the company in the year ended 28 February 2014:

At the Annual General Meeting held on 5 July 2013, shareholders approved by special resolution:

- To increase the authorised share capital of the company from 2 000 000 000 ordinary shares of no par value to 3 000 000 000 ordinary shares of no par value.

During the current year there has been no issue of ordinary shares.

LEVEL OF ASSURANCE
These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act, No 71 of 2008.

PREPARER
The annual financial statements were internally compiled by Mr CD Angus CA (SA).

INTEREST IN SUBSIDIARIES

		Percentage holding		Issued share capital	Net profit (loss) after tax		
Name of subsidiary	Held by	2014 %	2013 %		2014 R'000	2013 R'000	Nature of business subsidiary
PB Tully Family Holdings Proprietary Limited	Nutritional Holdings Limited	**100**	100	2		(6)	Holding company
Impilo Marketing Proprietary Limited	Nutritional Holdings Limited	**100**	100	100	**66**	64	Sales and distribution of pharmaceutical and complementary medicines
Nutritional Foods Proprietary Limited	Nutritional Holdings Limited	**100**	100	1 000	**(4 400)**	(3 422)	Manufacturer and distributor of fortified dry foods
Impilo Drugs (1966) Proprietary Limited	PB Tully Family Holdings Proprietary Limited	**100**	100	350 100	**64**	342	Distributor of pharmaceutical, natural and complementary medicines

All the above subsidiaries are incorporated in South Africa.

Details of related party loans are set out in notes 5 and 30 to the annual financial statements.

Special resolutions passed by subsidiaries
No special resolutions were passed by any of the subsidiary companies of Nutritional Holdings during the financial year under review.

RISK MANAGEMENT AND INSURANCE
Risk is managed in order to protect the assets and earnings of the Group against unacceptable financial loss and to safeguard against legal liabilities. Risks are insured at minimum cost with satisfactory cover. Property, plant and equipment are insured at current replacement values.

MAJOR SHAREHOLDERS
The major shareholders of the company are set out on page 64 of this annual report.

DIRECTORS
The directors of the company during the year and to the date of this report were as follows:

Name	Nationality	Changes
GR Wambach*	South African	
TR Hendry*	South African	
JA Etchells*	South African	
AR Pinfold*	South African	(Appointed 12 March 2013)
CD Angus	South African	
RS Etchells	South African	
ARJ Spanjaard	South African	(Appointed 21 August 2013; resigned 21 May 2014)

* *Non-executive*

The attendance at meetings by directors is set out in the Corporate Governance Report on page 10.

DIRECTORS' SHAREHOLDINGS

The directors of the company had the following direct and indirect interests in the issued share capital of Nutritional Holdings Limited as at 28 February 2014:

	2014 Direct	**2014 Indirect**	2013 Direct	2013 Indirect
Executive directors				
RS Etchells	**33 000 000**	**47 428 088**	**33 000 000**	
CD Angus	**237 500**		**237 500**	
ARJ Spanjaard (appointed 21 August 2013; resigned 21 May 2014)	**3 000 000**			
Non-executive directors				
GR Wambach	**1 328 334**		838 334	
TR Hendry	**2 700 000**	**208 064**	1 000 000	1 908 064
JA Etchells	**49 793 491**		49 793 491	
AR Pinfold (appointed 12 March 2013)	**111 845 015**	**341 238 579**	101 845 015	392 000 000

There has been no movement post year-end up to the reporting date in the directors' shareholdings.

DIRECTORS' REMUNERATION

The directors' remuneration is reflected in note 21 to the annual financial statements.

BORROWINGS

On behalf of the Group, the directors have established credit facilities with various financial institutions for use by the various subsidiary companies. The directors did not exceed any authorised levels of borrowings during the year under review.

CORPORATE GOVERNANCE

The directors acknowledge and subscribe to the values of good corporate governance as set out in the King III Report on Corporate Governance for the Republic of South Africa and the board has confirmed that the Nutritional Holdings Group has applied the principles of the report. By supporting this Code of Corporate Practices and Conduct the directors have recognised the need to conduct the business of the Group with integrity and in accordance with generally accepted best corporate governance practices. Refer to the corporate governance report in the annual report for specific disclosure requirements.

SECRETARY

The secretary of the company is Mrs JA Etchells CA (SA) of:

Business address:
Suite 3, 49 Richefond Circle
Ridge Side Office Estate
Umhlanga Rocks
4319

Postal address:
P O Box 5026
Frosterley Park
La Lucia Ridge Office Estate
4019

AUDITORS

Grant Thornton continues as auditors of the company and its subsidiaries. At the Annual General Meeting of 29 August 2014, shareholders will be requested to re-appoint Grant Thornton as auditors of the company for the 2015 financial year and it will be noted that Mr D Nagar will be the individual registered auditor that will undertake the audit.

LITIGATION

As reported in the previous year's annual report, on 30 October 2009, summons was served on Nutritional Holdings by Andrew Maxwell Tully, Harold Levin, Colin Craig Elsworth and Randal James Brereton, being the trustees of the Tully Family Trust, which trust was the previous owner of the Impilo Group. In terms of the summons, the plaintiffs are claiming that shares issued to them at 60 cents per share, should have been issued at 48 cents per share. The plaintiffs issued a further summons on Nutritional Holdings on 4 December 2009, claiming that the 33 333 333 shares issued to the Tully Family trust were issued in certificated form and thus contrary to the Impilo acquisition agreement in that they were not issued in negotiable form. An appearance to defend both summons has been filed at the time of receipt. No further action has been taken by the trustees of the Tully Family Trust since entering an appearance to defend some four years ago. This has no effect on the annual financial statements.

Aside from the information detailed above, Nutritional Holdings and its subsidiaries are not involved in any material legal or arbitration proceedings or legal actions, nor are the directors aware of any proceedings that are pending or threatened, that may have, or have had in the 12-month period preceding the last practicable date, a material effect on the Group's financial position.

Figures in R thousands	Notes	**GROUP 2014**	GROUP 2013	**COMPANY 2014**	COMPANY 2013
ASSETS					
Non-current assets					
Property, plant and equipment	3	**13 438**	14 052	**27**	32
Intangible assets	4	**12 494**	11 766	**28**	–
Investments in subsidiaries	5			**52 293**	51 872
Deferred tax	24	**8 256**	8 410		
		34 188	34 228	**52 348**	51 904
Current assets					
Inventories	7	**5 141**	3 385		
Loans receivable	6	**9**	9	**9**	9
Trade and other receivables	8	**4 662**	4 376	**88**	64
Cash and cash equivalents	9	**94**	2 588	**1**	2 313
		9 906	10 358	**98**	2 386
Non-current assets held for sale	35	**70**			
Total assets		**44 164**	44 586	**52 446**	54 290
EQUITY AND LIABILITIES					
Equity					
Stated capital	10	**131 722**	131 722	**138 463**	138 463
Revaluation reserve	11	**5 659**	5 659		
Share-based payment reserve	34			**87**	
Accumulated loss		**(107 765)**	(101 614)	**(91 618)**	(84 376)
		29 616	35 767	**46 932**	54 087
Liabilities					
Non-current liabilities					
Instalment sale creditors	12	**167**	230		
Deferred tax	24	**3 012**	3 115		
		3 179	3 345		
Current liabilities					
Instalment sale creditors	12	**63**	57		
Loans from related parties	30	**1 009**		**1009**	
Trade and other payables	13	**4 953**	3 984	**605**	203
Bank overdraft	9	**5 344**	1 433	**3 900**	
		11 369	5 474	**5 514**	203
Total liabilities		**14 548**	8 819	**5 514**	203
Total equity and liabilities		**44 164**	44 586	**52 446**	54 290
Net asset value per share (cents)		**1,6**	1,9		

» STATEMENT OF COMPREHENSIVE INCOME

Figures in R thousands	Notes	**GROUP 2014**	GROUP 2013	**COMPANY 2014**	COMPANY 2013
Revenue	14	**36 039**	34 178	**2 640**	1 849
Cost of sales		**(21 101)**	(20 367)		
Gross profit		**14 938**	13 811	**2 640**	1 849
Other income		**106**	555		30
Operating expenses excluding impairments		**(20 498)**	(20 146)	**(4 455)**	(4 783)
Depreciation		**(121)**	(81)	**(14)**	(13)
		(5 575)	(5 861)	**(1 829)**	(2 917)
Impairments					
Group loans				**(5 274)**	831
Distribution rights		**(38)**	(7 200)		(7 200)
Loss for the year	15	**(5 613)**	(13 061)	**(7 103)**	(9 286)
Investment revenue	16		186	**101**	95
Finance costs	17	**(488)**	(696)	**(240)**	(389)
Loss before taxation		**(6 101)**	(13 571)	**(7 242)**	(9 580)
Taxation	18	**(50)**	138		
Loss for the year		**(6 151)**	(13 433)	**(7 242)**	(9 580)
Other comprehensive income for the year net of taxation					
Total comprehensive loss		**(6 151)**	(13 433)	**(7 242)**	(9 580)
Loss per share					
Normal and diluted earnings per share (cents)	31 & 33	**(0,32)**	(0,89)		

» STATEMENT OF CHANGES IN EQUITY

Figures in R thousands	Stated capital	Treasury shares	Total stated capital	Revaluation reserve	Share-based payment reserve	Accu-mulated loss	Total equity
GROUP							
Balance at 1 March 2012	129 972	(6 741)	123 231	5 659		(88 181)	40 709
Changes in equity							
Total comprehensive loss for the year						(13 433)	(13 433)
Issue of shares	8 491		8 491				8 491
Total changes	8 491		8 491			(13 433)	(4 942)
Balance at 1 March 2013	138 463	(6 741)	131 722	5 659		(101 614)	35 767
Changes in equity							
Total comprehensive loss for the year						(6 151)	(6 151)
Total changes						(6 151)	(6 151)
Balance at 28 February 2014	**138 463**	**(6 741)**	**131 722**	**5 659**		**(107 765)**	**29 616**
Notes	10		10	11			
COMPANY							
Balance at 1 March 2012	129 972		129 972			(74 796)	55 176
Changes in equity							
Total comprehensive loss for the year						(9 580)	(9 580)
Issue of shares	8 491		8 491				8 491
Total changes	8 491		8 491			(9 580)	(1 089)
Balance at 1 March 2013	138 463		138 463			(84 376)	54 087
Changes in equity							
Share-based payment reserve					87		87
Total comprehensive loss for the year						(7 242)	(7 242)
Total changes					87	(7 242)	(7 155)
Balance at 28 February 2014	**138 463**		**138 463**		**87**	**(91 618)**	**46 932**
Notes	10		10		34		

» STATEMENT OF CASH FLOWS

Figures in R thousands	Notes	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Cash flows from operating activities					
Cash used in operations	20	**(5 789)**	(2 086)	**(6 710)**	(1 955)
Interest income			186	**101**	95
Finance costs		**(488)**	(696)	**(240)**	(389)
Net cash from operating activities		**(6 277)**	(2 596)	**(6 849)**	(2 249)
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(314)**	(533)	**(9)**	(2)
Purchase of intangible assets	4	**(766)**	(23)	**(28)**	
Net movement on loans with Group companies				**(421)**	(155)
Net cash from investing activities		**(1 080)**	(556)	**(458)**	(157)
Cash flows from financing activities					
Proceeds on share issue	10		8 491		8 491
Net movement in share-based payment reserves				**87**	
Net movement in loans		**1 009**		**1 009**	
Net movement on instalment sale creditors		**(57)**	(330)		(525)
Finance lease movement			1 147		525
Net cash from financing activities		**952**	9 308	**1 096**	8 491
Total cash movement for the year		**(6 405)**	6 156	**(6 211)**	6 085
Cash at the beginning of the year		**1 155**	(5 001)	**2 313**	(3 772)
Total cash at the end of the year	9	**(5 250)**	1 155	**(3 898)**	2 313

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the Companies Act of South Africa, the requirements of the JSE Listings Requirements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The annual financial statements have been prepared on the historical cost basis and are consistent with the accounting policies applied in the previous corresponding period, except for the measurement of land and buildings and certain financial instruments which are measured at fair value. The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous financial year, except for the adoption of improved, revised or new standards and interpretations. The aggregate effect of these changes in respect of the year ended 28 February 2014 is Rnil. The annual financial statements have been prepared by the Chief Financial Officer, CD Angus CA (SA). They are presented in South African Rands.

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and all entities that are controlled by the company.

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

1.2 Significant judgments

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Loans and receivables

The Group assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete inventory

This is an allowance to write inventory down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write-down is included in the operating profit note.

Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates and assumptions. These assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible and tangible assets.

Property, plant and equipment

Management has made certain estimations with regard to the determination of the valuation of land and buildings and the estimated residual values and useful lives of items of property, plant and equipment.

Management uses valuation techniques to determine the fair value of non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 1.3).

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.2 Significant judgments continued

Allowance for doubtful debts

Past experience indicates a reduced prospect of collecting debtors over the age of three months. Debtors' balances older than three months are regularly assessed by management and provided for at their discretion.

Taxation

Judgment is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Two of the Group's entities where a deferred tax asset has been raised are dependent on future taxable profits. These entities have not suffered a tax loss in either the current or the preceding tax period. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment other than land and buildings are carried at cost less accumulated depreciation and any impairment losses.

Land and buildings are carried at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Item	Average useful life
Land	indefinite
Buildings	30 years
Plant and machinery	5 to 15 years
Motor vehicles	3 to 10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale
- there is an intention to complete and use or sell it
- there is an ability to use or sell it
- it will generate probable future economic benefits
- there are available technical, financial and other resources to complete the development and to use or sell the asset
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided for on a straight-line basis over their useful life.

Intangible assets for the Group have indefinite useful lives.

The amortisation period and the amortisation method for intangible assets are reviewed at every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.5 Investments in subsidiaries

Company annual financial statements

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company plus;
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.6 Financial instruments

Classification

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each reporting date the Group assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. The loss is determined as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows discounted at the effective interest rate determined at inception. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Derecognition of financial instruments
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Offsetting of financial instruments
The Group will disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. This includes the effect or potential effect of rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities.

Loans to (from) Group companies
These include loans to and from the holding company and are recognised initially at fair value plus direct transaction costs.

Loans to Group companies are classified as loans and receivables measured at amortised cost.

Loans from Group companies are classified as financial liabilities measured at amortised cost.

Trade and other receivables
Trade receivables are measured at initial recognition at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables
Trade payables are initially measured at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost which approximates fair value.

Bank overdrafts and borrowings
Bank overdrafts and borrowings are initially measured at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Borrowings relate to instalment sale creditors. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.7 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction other than a business combination which, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction other than a business combination which, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income,
- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred tax are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula in Impilo Marketing Proprietary Limited and the first-in, first-out (FIFO) formula in Nutritional Foods Proprietary Limited. The same cost formula is used for all inventories having a similar nature and use to the entities.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of assets

The Group assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- First, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.11 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.12 Employee benefits

Defined contribution plans

It is the policy of one of the Group's subsidiaries, Nutritional Foods Proprietary Limited, to provide retirement benefits to its employees. A defined contribution provident fund, subject to the Pensions Fund Act, exists for this purpose. Payments to the defined contribution retirement benefit plans are charged as an expense as they fall due

Short-term employee benefits

Short-term employee obligations arise from accrued leave entitlement at the reporting date.

1.13 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event,
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

1.14 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates and value added tax.

Interest is recognised in profit or loss using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.16 Segment reporting

The Group has three operating segments: the Nutritional Foods, Pharmaceuticals and Services segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker and in compliance with IFRS. The chief operating decision-maker, who is responsible for allocating resources and assessing perfomance of the operating segments, has been identified as the executive directors that make strategic decisions.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

1.17 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is not depreciated while it is classified as held for sale.

1.18 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualified asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.19 Share incentive scheme

A share incentive scheme exists to provide employees of the Group the opportunity to acquire shares in the capital of the Group and to give such employees the incentive to advance the interests of the Group for the ultimate benefit of all stakeholders in the Group. The share incentive scheme consists of a share purchase scheme.

Ordinary shares in Nutritional Holdings Limited which have been acquired by a Group company in terms of an approved share repurchase programme or are held by the Share Incentive Trust are classified as treasury shares. The cost of these shares is deducted from equity and the number of shares is deducted from the weighted average number of shares. Dividends received on treasury shares are eliminated on consolidation.

2. NEW STANDARDS AND INTERPRETATIONS

At the date of approval of these annual financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

These new pronouncements will be adopted in the entity's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the entity's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the entity's financial statements.

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IAS 1 Presentation of Financial Statements

This amendment changes the disclosure of items presented in other comprehensive income, grouping them into items which recycle to profit and loss and items which will not. Apart from the change in disclosure, this amendment did not materially affect the Group accounts. Mandatory application is for accounting periods beginning on or after 1 July 2012.

IFRS 7 Financial Instruments: Disclosures

This amendment requires entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its statement of financial position and the effects of rights of set-off on the entity's rights and obligations. This amendment has mandatory application for accounting periods beginning on or after 1 January 2013.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities have been issued along with revised versions of IAS 27 Separate Financial Statements and IAS 28 Associates; additionally IAS 31 Joint Ventures. These standards form a single package of proposals with mandatory application from 1 January 2013. The aim of these standards is to improve the quality of reporting in relation to the consolidation of subsidiaries, special purpose vehicles and accounting for joint arrangements. The requirements of these standards did not materially affect the Group.

IFRS 13 Fair Value Measurement

This standard aims to provide a single source of fair value measurement and disclosure requirements for use across IFRS. The implementation of IFRS 13 does not change where fair value is or is not applied under IFRS and will not require a restatement of historical transactions. Mandatory application is from 1 January 2013. The adoption of this statement has resulted in additional disclosures (refer note 38).

IAS 19 Employee Benefits Revised

A revised IAS 19 Employee Benefits has been issued and has been mandatory from 1 January 2013. The new standard does not change the values of retirement benefit assets and liabilities on the statement of financial position, but does change the amounts recognised in the statement of comprehensive income and in other comprehensive income. The expected return on plan assets and the interest cost on liabilities are replaced by a new component of the statement of comprehensive income charge – interest on the net retirement benefit asset/liability. In addition, prior service costs will no longer be deferred and will be recognised immediately. The revised standard has retrospective application. The effect of applying the standard in its current form does not have an impact on the Group.

IAS 32 Financial Instruments Presentation

These amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its statement of financial position and the effects of rights of set-off on the entity's rights and obligations as well as to clarify the tax effect of distribution to holders of equity instruments. Mandatory application is from 1 January 2013.

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2014 or later periods:

IFRS 2 Share-based payments

These amendments relate to the added definitions of performance conditions and service conditions and the amendment of the definitions of vesting conditions and market conditions. Mandatory application is from 1 July 2014. It is unlikely that this will have a material impact on the Group's annual financial statements.

IFRS 3 Business Combinations

These amendments relate to the measurement requirements for all contingent consideration assets and liabilities, including those accounted for under IFRS 9, as well as to the scope paragraph for the formation of a joint arrangement. Mandatory application is from 1 July 2014. It is unlikely that this will have a material impact on the Group's annual financial statements.

IFRS 8 Operating Segments

These amendments relate to disclosure requirements regarding the judgments made by management in applying the aggregation criteria, as well as those to certain reconciliations. Mandatory application is from 1 July 2014. It is unlikely that this will have a material impact on the Group's annual financial statements.

IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 Financial Instruments. Recognition and Measurement (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement, derecognition of financial assets and liabilities and hedge accounting have been issued. These chapters are effective for annual periods beginning of or after 1 January 2018. Chapters dealing with impairment methodology are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. The Group's management have yet to assess the impact of this new standard on the Group's consolidated financial statements. Management does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

IFRS 10 Consolidated Financial Statements

This amendment is an exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of 'Investment Entities' must be accounted for at fair value under IFRS 9 Financial instruments, or IAS 39 Financial instruments: Recognition and Measurement. Mandatory application is from 1 January 2014. The Group does not meet the definition of 'Investment Entities'. The effect of applying the standard in its current form is not considered to have a material impact on the Group's annual financial statements.

IFRS 12 Disclosure of Interest in Other Entities

This amendment relates to new disclosures required for Investment Entities (as defined in IFRS 10). Mandatory application is from 1 January 2014. The Group does not meet the definition of 'Investment Entities'. The effect of applying the standard in its current form is not considered to have a material impact on the Group's annual financial statements.

IFRS 13 Fair Value Measurement

These amendments are to clarify the measurement requirements for short-term receivables and payables, as well as to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9. Mandatory application is from 1 July 2014. It is unlikely that this will have a material impact on the Group's annual financial statements.

2. NEW STANDARDS AND INTERPRETATIONS CONTINUED

2.2 Standards and interpretations not yet effective continued

IAS 16 Property, Plant and Equipment

These amendments to the revaluation method of property, plant and equipment, where accumulated depreciation is proportionately restated, are unlikely to have a material impact on the Group's annual financial statements. Mandatory application is from 1 July 2014.

IAS 19 Employee Benefits

These are amendments to Defined Benefit Plans: Employee Contributions whereby the requirements in IAS 19 for contributions from employees or third parties are linked to service and have been amended. It is unlikely to have a material impact on the Group's annual financial statements. Mandatory application is from 1 July 2014.

IAS 24 Related Party Disclosures

This amendment is to give clarification of the definition of a related party. It is unlikely to have a material impact on the Group's annual financial statements. Mandatory application is from 1 July 2014.

IAS 27 Consolidated and Separate Financial Statements

These are consequential amendments resulting from the issue of IFRS 10, 11 and 12. The requirement is to account for interests in 'Investment Entities' at fair value under IFRS 9 Financial Instruments, or IAS 39 Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent. The Group does not meet the definition of 'Investment Entities'. It is unlikely to have a material impact on the Group's annual financial statements. Mandatory application is from 1 January 2014.

IAS 36 Impairment Assets

This amendment to IAS 36 clarifies the required disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This does not have a material impact on the Group's annual financial statements. Mandatory application is from 1 January 2014.

IAS 38 Intangible Assets

This amendment to the revaluation method of intangible assets, where accumulated amortisation is proportionately restated, is unlikely to have a material impact on the Group's annual financial statements. Mandatory application is from 1 July 2014.

3. PROPERTY, PLANT AND EQUIPMENT

Figures in R thousands	2014 Cost/ valuation	2014 Accu-mulated depreciation	2014 Carrying value	2013 Cost/ valuation	2013 Accu-mulated depreciation	2013 Carrying value
GROUP						
Buildings	**9 940**		**9 940**	9 964		9 964
Land	**883**		**883**	883		883
Motor vehicles	**1 006**	**(591)**	**415**	1 726	(1 123)	603
Plant and machinery	**9 095**	**(6 895)**	**2 200**	9 580	(6 978)	2 602
Total	**20 924**	**(7 486)**	**13 438**	22 153	(8 101)	14 052

Figures in R thousands	2014 Cost	2014 Accu-mulated depreciation	2014 Carrying value	2013 Cost	2013 Accu-mulated depreciation	2013 Carrying value
COMPANY						
Plant and machinery	**119**	**(92)**	**27**	193	(161)	32

Reconciliation of property, plant and equipment

Figures in R thousands	Opening balance	Additions	Non-current assests held for sale	Disposals	Depreciation	Total
GROUP 2014						
Buildings	**9 964**			**(24)**		**9 940**
Land	**883**					**883**
Motor vehicles	**603**		**(20)**	**(65)**	**(103)**	**415**
Plant and machinery	**2 602**	**314**	**(50)**		**(666)**	**2 200**
	14 052	**314**	**(70)**	**(89)**	**(769)**	**13 438**
GROUP 2013						
Buildings	9 706	168			90	9 964
Land	883					883
Motor vehicles	457	313		(40)	(127)	603
Plant and machinery	3 205	52			(655)	2 602
	14 251	533		(40)	(692)	14 052

3. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Reconciliation of property, plant and equipment

Figures in R thousands	Opening balance	Additions	Depreciation	Total
COMPANY 2014				
Plant and machinery	**32**	**9**	**(14)**	**27**
COMPANY 2013				
Plant and machinery	43	2	(13)	32

Pledged as security

The land and buildings are pledged as security for a mortage bond of R4,07 million (2013: R4,6 million). The finance lease obligation of R229 802 (2013: R286 794) is secured by the lessor's charge over the leased motor vehicle (refer to notes 9 and 12).

Figures in R thousands	**GROUP 2014**	GROUP 2013	**COMPANY 2014**	COMPANY 2013
Land and buildings	**10 823**	10 847		
Motor vehicles	**135**	260		
Details of property				
Land and buildings				
Land and buildings comprise Portion 10 of Erf 1911 Extension 1, North-West Province measuring 1,3866 hectares with commercial buildings thereon.				
Purchase price: 2007	**2 864**	2 864		
Revaluation: 2007	**250**	250		
Revaluation: 2010	**680**	680		
Revaluation: 2011	**3 900**	3 900		
Additions: 2012	**77**	77		
Revaluation: 2012	**2 909**	2 909		
Additions: 2013	**168**	167		
Less: Disposal	**(25)**			
	10 823	10 847		

Revaluations

The effective date of the current revaluation was 31 August 2011. The revaluation was performed by the board of directors based on a valuation performed by the Group's bankers.

Land and buildings are revalued independently every three years.

The directors assessed that in the current year there is no movement required.

The valuation was performed using the rental yield approach, and the following assumptions were used:

Had the land and buildings been carried under the cost model the carrying amount would be R3,048 million (2013: R3,108 million).

		2014	2013
Capitalisation rate	(%)	**11**	11
Office rental per square metre	(R)	**35**	35
Factory rental per square metre	(R)	**15**	20
Garage rental per square metre	(R)	**16**	16

4. INTANGIBLE ASSETS

Figures in R thousands	2014 Cost	2014 Accu-mulated impairment	2014 Carrying value	2013 Cost	2013 Accu-mulated impairment	2013 Carrying value
GROUP						
Brand names	**11 694**		**11 694**	11 694		11 694
Distribution rights				24 000	(24 000)	
Intellectual property	**838**	**(38)**	**800**	72		72
Total	**12 532**	**(38)**	**12 494**	35 766	(24 000)	11 766

The impairment of intellectual property was for annual retention fees that have now been impaired.

Figures in R thousands	2014 Cost	2014 Accu-mulated impairment	2014 Carrying value	2013 Cost	2013 Accu-mulated impairment	2013 Carrying value
COMPANY						
Intellectual property	**28**		**28**			
Distribution rights				24 000	(24 000)	
Total	**28**		**28**	24 000	(24 000)	

Reconciliation of intangible assets

Figures in R thousands	Opening balance	Additions	Impairment	Total
GROUP 2014				
Brand names	**11 694**			**11 694**
Distribution groups				
Intellectual property	**72**	**766**	**(38)**	**800**
Total	**11 766**	**766**	**(38)**	**12 494**

Figures in R thousands	Opening balance	Additions	Impairment	Total
GROUP 2013				
Brand names	11 694			11 694
Distribution groups	7 200		(7 200)	
Intellectual property	49	23		72
Total	18 943	23	(7 200)	11 766
COMPANY 2014				
Distribution rights	**7 200**		**(7 200)**	
Intellectual property		**28**		**28**
COMPANY 2013				
Distribution rights	7 200		(7 200)	

4. INTANGIBLE ASSETS CONTINUED

The useful life of brand medical names and intellectual property is considered indefinite. Brand names and intellectual property relate to dossiers registered with the Medicines Control Council in Impilo Drugs (1966) Proprietary Limited which do not have a finite life. These dossiers typically remain in demand and have done so in most cases since the inception of the company.

In assessing the carrying values of the brand names, we have assumed that volumes of products will remain at the current levels. The value of the brand names is not identified separately and we have applied our assumptions as one cash-generating unit. Refer to note 27 for information about inputs and estimates applied in determining the recoverable amount of the brand names.

The distribution rights relate to a purchase price of exclusive rights to manufacture the Imuniti Nutritional Supplement Combo Pack (ISCP) from Edge to Edge Global Investments Limited. The agreement has no expiry date and therefore is regarded as indefinite.

The intangible asset relating to the distribution rights of the ISCP held in Nutritional Holdings Limited was impaired in 2009. A portion of this impairment was reversed in 2012 as the company had received orders and produced this product during the period. There was no indication that this order would not be maintained for at least ten years. The first three distribution outlets owned by the customer of the ISCP had been completed in the Western Cape. These customer distribution outlets were budgeted to monthly require product in excess of the order already placed. Further anticipated orders did not materialise and as a result the R7.2 million had once again been impaired in 2013. Refer to note 27 where more information regarding the estimates used has been disclosed.

5. INVESTMENTS IN SUBSIDIARIES

Name of company	Held by	Percentage holding 2014	Percentage holding 2013	**COMPANY 2014** Carrying amount R'000	COMPANY 2013 Carrying amount R'000
PB Tully Family Holdings Proprietary Limited	Nutritional Holdings Limited	**100**	100	**40 015**	40 015
Impilo Marketing Proprietary Limited	Nutritional Holdings Limited	**100**	100	**500**	500
Nutritional Foods Proprietary Limited	Nutritional Holdings Limited	**100**	100	**1**	1
				40 516	40 516
Impairment of investment in subsidiaries				**(28 542)**	(28 542)
Perpetual loans to Group companies				**40 319**	39 898
				52 293	51 872

The carrying amounts of subsidiaries are shown net of impairment losses.

Figures in R thousands		
Impairment of investment in subsidiaries		
Opening balance	**28 542**	28 542
	28 542	28 542
Subsidiaries		
Impilo Drugs (1966) Proprietary Limited	**11 898**	11 565
Nutritional Foods Proprietary Limited	**32 101**	27 201
Impilo Marketing Proprietary Limited	**6 406**	5 944
PB Tully Family Holdings Proprietary Limited	**12**	12
Employee Share Incentive Trust Loan	**6 741**	6 741
	57 158	51 463
Impairment of loans to subsidiaries	**(16 839)**	(11 565)
	40 319	39 898

The above loans are unsecured and repayable at the option of the subsidiary. Interest of R100 539 was charged during the year (2013: R95 177)..

Credit quality of loans to Group companies

The credit quality of loans to Group companies that are neither past due nor impaired is assessed individually based on the solvency of the company being assessed. Management believes that all loans to Group companies that are not impaired or past due are of good credit quality.

Loans to Group companies impaired

As at 28 February 2014, loans to Group companies of R16 839 million (2013: R11 565 million) were impaired.

We impaired the loan in the current financial year down from its gross carrying amount to its value in use.

This has been determined based on generally accepted valuation techniques.

Reconciliation of allowance for impairment of loans to Group companies		
Opening balance	**11 565**	12 395
Provision for impairment	**5 274**	
Reversal of impairment		(830)
Closing balance	**16 839**	11 565

Figures in R thousands	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
6. LOANS RECEIVABLE				
Sundry loans receivable	**9**	9	**9**	9
	9	9	**9**	9
Current assets	**9**	9	**9**	9
Current liabilities				
	9	9	**9**	9

Terms and conditions of loans

The above loans are unsecured, interest-free and repayable by mutual agreement.

Credit quality of loans receivable

The credit quality of loans to related parties that are neither past due nor impaired is assessed individually based on historical information.

Management believes that all loans to related parties that are not impaired or past due are of a good credit quality.

Figures in R thousands	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
7. INVENTORIES				
Raw materials	**2 041**	1 615		
Work in progress	**304**	98		
Finished goods	**2 796**	1 672		
	5 141	3 385		
Reconciliation of impairment of inventories				
Opening balance	**(76)**	(49)		
Amounts reversed (written off)	**27**	(27)		
Closing balance	**(49)**	(76)		

The reversal during the current financial year was as a result of previously impaired inventory being utilised.

Figures in R thousands	**GROUP 2014**	GROUP 2013	**COMPANY 2014**	COMPANY 2013
8. TRADE AND OTHER RECEIVABLES				
Trade receivables	**3 765**	3 384		
Staff loans	**19**	22		
Prepayments and other receivables	**662**	941	**75**	58
Deposits	**178**	29	**13**	6
Value added tax	**38**			
	4 662	4 376	**88**	64

Trade and other receivables pledged as security

Trade and other receivables were pledged as security for overdraft facilities of R3 million (2013: R3 million) of the Group.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates.

The assessment performed has resulted in trade and other receivables below being identified as being past due but not impaired. No external credit ratings were obtained for trade and other receivables. Management believes that all trade and other receivables that are not impaired or past due are of a good credit quality.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than three months past due are not considered to be impaired. At 28 February 2014, R1 563 673 (2013: R533 303) were past due but not impaired.

	GROUP 2014	GROUP 2013
The ageing of amounts past due but not impaired is as follows:		
One month past due	**734**	152
Two months past due	**390**	27
Three months past due	**440**	354
	1 564	533
Trade and other receivables impaired		
As of 28 February 2014, trade and other receivables of R306 189 (2013: R95 924) were impaired and provided for.		
The ageing is as follows:		
Over six months	**306**	95
	306	95
The creation and release of the allowance for impaired receivables has been included in operating expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The total amount receivable represents the maximum exposure to credit risk for trade receivables and other current assets, before any credit enhancements or collateral that may be held. The Group does not hold any current collaterals.		
Reconciliation of allowance for impairment of trade and other receivables		
Opening balance	**95**	161
Allowance for impairment raised	**306**	
Amounts written off as uncollectable		(5)
Unused amounts reversed	**(95)**	(61)
	306	95

Figures in R thousands		GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
9. CASH AND CASH EQUIVALENTS					
Cash and cash equivalents consist of:					
Bank balances		**91**	2 582		2 312
Bank overdraft		**(5 344)**	(1 433)	**(3 900)**	
Cash on hand		**3**	6	**1**	1
		(5 250)	1 155	**(3 899)**	2 313
Current assets		**94**	2 588	**1**	2 313
Current liabilities		**(5 344)**	(1 433)	**(3 900)**	
		(5 250)	1 155	**(3 899)**	2 313

A mortgage bond of R4,07 million (2013: R4,6 million) is registered over the land and buildings as described in note 3. Land and buildings and trade debtors are pledged as security for overdraft facilities of R7,07 million (2013: R7,6 million) of the Group.

10. STATED CAPITAL					
Authorised					
3 000 000 000 (2013: 2 000 000 000) ordinary shares of no par value					
100 000 000 redeemable preference shares of R0.0001 each		**10**	10	**10**	10
Reconciliation of number of shares issued:					
Reported as at 1 March	(shares)	**1 907 368**	1 489 768	**1 997 368**	1 579 768
Issue of shares – ordinary shares	(shares)		417 600		417 600
		1 907 368	1 907 368	**1 997 368**	1 997 368
Issued					
Stated share capital – 1 997 368 178 ordinary shares		138 463	138 463	138 463	138 463
Treasury shares – 90 000 000 ordinary shares		(6 741)	(6 741)		
		131 722	131 722	**138 463**	138 463

During the 2013 year, the ordinary shares were converted from par value shares of R0,0001 each to no par value shares.

Treasury shares

At 28 February 2014, 90 million ordinary shares were under the control of the directors for the purpose of the existing share incentive scheme. The 90 million shares were allocated to the executive directors of Nutritional Holdings Limited during the current reporting period. (Refer to note 34.)

Figures in R thousands	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
11. REVALUATION RESERVE				
The revaluation reserve resulted from the revaluation of land and buildings as described in note 3.				
Revaluation reserve	**5 659**	5 659		
12. INSTALMENT SALE CREDITORS				
Minimum lease payments due				
– Within one year	**63**	57		
– In second to fifth year inclusive	**167**	230		
	230	287		
Less: future finance charges	**(42)**	(66)		
Present value of minimum lease payments	**188**	221		
Non-current liabilities	**167**	230		
Current liabilities	**63**	57		
	230	287		
The instalment sale creditors are repayable in monthly instalments of R6 980 (2013: R24 853 for 9 months) and bear interest at rates of prime plus 1,5%. The Group's obligations under instalment sale agreements are secured over assets. (Refer note 3.)				
13. TRADE AND OTHER PAYABLES				
Trade payables	**2 915**	2 591	**93**	114
Value added tax	**133**	182	**39**	(13)
Other payables	**262**	462		
Acrued expenses	**1 643**	749	**473**	99
	4 953	3 984	**605**	200
14. REVENUE				
Administration and management services			**2 640**	1 849
Sale of goods	**36 039**	34 178		
	36 039	34 178	**2 640**	1 849
15. OPERATING PROFIT				
(Loss) profit for the year is stated after accounting for the following:				
Operating lease charges				
Premises	**363**	422	**215**	213
Equipment	**434**	569		
	797	991	**215**	213
Loss (profit) on sale of property, plant and equipment	**84**	(10)		
Impairment on distribution rights		7 200		7 200
Impairment (reversal impairment) on loans to Group companies			**5 274**	(831)
Depreciation on property, plant and equipment	**807**	692	**14**	13
Employee costs	**12 042**	13 129	**2 600**	2 932

	Figures in R thousands		**GROUP 2014**	GROUP 2013	**COMPANY 2014**	COMPANY 2013
16.	**INVESTMENT REVENUE**					
	Interest revenue					
	Bank			8		
	Finance leases			178		
	Trade and other receivables				**101**	95
				186	**101**	95
17.	**FINANCE COSTS**					
	Current borrowings		**488**	607	240	370
	Trade and other payables			89		19
			488	696	**240**	389
18.	**TAXATION**					
	Major components of the tax expense (income)					
	Deferred					
	Benefit of unrecognised tax loss/tax credit/temporary difference used to reduce deferred tax expense				(316)	
	Originating and reversing temporary differences		**50**		178	
			50		**(138)**	
	Reconciliation of the tax expense					
	Reconciliation between applicable tax rate and average effective tax rate:					
	Applicable tax rate	(%)	**(28,00)**	(28,00)	**(28,00)**	(28,00)
	Non-deductible expenses – Impairment of intangible assets	(%)	**0,00**	15,00	**0,00**	21,00
	Assessed losses not provided for	(%)	**27,30**	12,00	**28,00**	7,00
			(0,70)	(1,00)	**0,00**	0,00

The estimated tax loss available for set-off against future taxable income for the Group is R57 174 966 (2013: R51 719 859) and for the company R12 783 139 (2013: R11 064 934).

A deferred tax asset for the company has not been recognised as there is no convincing evidence that the assessed losses will be utilised.

	Figures in R thousands	**GROUP 2014**	GROUP 2013	**COMPANY 2014**	COMPANY 2013
19.	**AUDITORS' REMUNERATION**				
	Fees	**422**	546	**227**	249
		422	546	**227**	249

Figures in R thousands	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
20. CASH USED IN OPERATIONS				
Loss before taxation	**(6 101)**	(13 571)	**(7 242)**	(9 580)
Adjustments for:				
Depreciation	**769**	692	**14**	13
Movement on sale of assets		50		
Loss / (profit) on disposal of assets	**84**	(10)		
Interest received		(186)	**(101)**	(95)
Finance costs	**488**	696	**240**	389
Impairments	**38**	7 200		7 200
Changes in working capital:				
Inventories	**(1 756)**	1 444		
Trade and other receivables	**(285)**	1 892	**(24)**	802
Trade and other payables	**974**	(293)	**403**	(684)
	(5 789)	(2 086)	**(6 710)**	(1 955)

Figures in R thousands	Directors fees	Emoluments	Allowances	Total
21. DIRECTORS EMOLUMENTS				
Executive – 2014				
RS Etchells		**960**	**320**	**1 280**
CD Angus		**720**	**60**	**780**
ARJ Spanjaard		**480**	**160**	**640**
		2 160	**540**	**2 700**
Executive – 2013				
RS Etchells		160	40	200
HJ van der Merwe		1 225	80	1 305
CD Angus		680		680
JA Etchells		290	60	350
		2 355	180	2 535
Non-executive – 2014				
G Wambach		**75**		**75**
JA Etchells				
TR Hendry				
AR Pinfold				
		75		**75**
Non-executive – 2013				
G Wambach	100			100
JA Etchells	75			75
TR Hendry	100			100
CD Angus	38			38
	313			313

22. FINANCIAL ASSETS BY CATEGORY

The carrying amounts of cash and cash equivalents, loans receivable, loans to related parties and trade and other receivables as disclosed on the statement of financial position are classified as loans and receivables. VAT receivable, prepayments and income received in advance are not financial instruments and thus do not form part of this category.

23. FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of instalment sale creditors, loans from related parties, trade and other payables and bank overdraft as disclosed on the statement of financial position are classified as financial liabilities at amortised cost. VAT payable and all payroll accruals are not financial instruments and thus do not form part of this category.

Figures in R thousands	**GROUP 2014**	GROUP 2013	**COMPANY 2014**	COMPANY 2013
24. DEFERRED TAX				
Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:				
Deferred tax asset				
Current liabilities	**105**	72		
Tax losses available for set-off against existing taxable temporary differences	**3 012**	3 115		
Tax losses available for set-off against future taxable income	**5 139**	5 223		
	8 256	8 410		
Deferred tax liability				
Property, plant and equipment	**(3 012)**	(3 115)		
	(3 012)	(3 115)		
Reconciliation of movement in deferred tax asset (liability)				
Opening balance	**5 295**	5 157		
Decrease in tax losses available for set-off against existing temporary differences	**(103)**	(399)		
(Decrease) increase in tax losses available for set-off against existing future taxable income	**(84)**	67		
Temporary difference on property, plant and equipment	**103**	164		
Long-term financial assets		321		
Current liabilities	**33**	(15)		
	5 244	5 295		

24. DEFERRED TAX CONTINUED

Deferred tax asset

The Group is made up of three trading companies and the holding company. No deferred tax asset has been recognised for tax losses available for set-off against future taxable income where it is not probable that future taxable income will be available. Two of the companies in the Group earned a taxable income and it is probable that taxable profit will be available in future in order to utilise the assessed losses available. A deferred tax asset has therefore been raised on these two companies' assessed losses. These companies (separate taxable entities) did not suffer a loss in the current period in the tax jurisdiction to which the deferred tax assets relate. A deferred tax asset has also been recognised on the assessed loss of the other trading company to the extent of the deferred tax liability arising from capital allowances on the property, plant and equipment.

The amount not recognised in deferred tax assets for the Group is R4 274 812 (2013: R3 042 578) and for the Company Rnil (2013: Rnil).

Figures in R thousands	**GROUP 2014**	GROUP 2013	**COMPANY 2014**	COMPANY 2013
25. RETIREMENT BENEFITS				
Defined contribution plan				
It is the policy of the Group to provide retirement benefits to certain of its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act, exist for this purpose. No retirement benefits are provided to directors.				
The Group is under no obligation to cover any unfunded benefits.				
Total Group contribution to such schemes	**383**	457		

26. RISK MANAGEMENT

Capital risk management

Management's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 6 and 12, cash and cash equivalents disclosed in note 9, and equity as disclosed in the statement of financial position and notes 10 and 11.

In order to maintain or adjust the capital structure, management may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Figures in R thousands		**GROUP 2014**	GROUP 2013	**COMPANY 2014**	COMPANY 2013
Total borrowings					
Inastalment sale creditors	(note 12)	**230**	287		
Add: Cash and cash equivalents	(note 9)	**5 344**	1 433	**3 900**	
Net debt		**5 574**	1 720	**3 900**	
Total equity		**26 616**	35 770	**46 932**	54 087
Total capital		**35 190**	37 490	**50 832**	54 087
Gearing ratio	%	**16**	5	**8**	

26. RISK MANAGEMENT CONTINUED

Financial risk

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The Group's risk to liquidity is a result of the funds available to cover future commitments. Management manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and borrowing facilities are monitored.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Balances due within 12 months equal their carrying balances as the impact of discounting is not sigfnificant.

	Less than one year	Between one and two years	Between two and five years	Over five years
GROUP				
At 28 February 2014				
Loans from related parties	**1 009**			
Instalment sale creditors	**62**	**70**	**98**	
Trade and other payables	**4 953**			
Bank overdraft	**5 344**			
At 28 February 2013				
Instalment sale creditors	57	63	167	
Trade and other payables	3 984			
Bank overdraft	1 433			
COMPANY				
At 28 February 2014				
Loans from related parties	**1 009**			
Trade and other payables	**605**			
Bank overdraft	**3 900**			
At 28 February 2013				
Trade and other payables	200			

Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2014 and 2013, the Group's borrowings at variable rates were denominated in Rand.

At 28 February 2014, if interest rates on Rand-denominated borrowings had been 1% higher/lower, with all other variables held constant, post-tax profit for the year in Rands would have been R3 021 (2013: R2 396) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

26. RISK MANAGEMENT CONTINUED

Credit risk

Credit risk is managed on a Group basis.

Credit risk consists mainly of cash deposits and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Figures in R thousands	**GROUP 2014**	GROUP 2013	**COMPANY 2014**	COMPANY 2013
Financial instrument				
Loans to subsidiaries			**40 319**	39 898
Loans	**9**	9	**9**	9
Bank	**94**	2 588	**1**	2 313
Trade and other receivables	**4 662**	4 376	**88**	64

27. IMPAIRMENT OF ASSETS

	GROUP 2014	GROUP 2013	**COMPANY 2014**	COMPANY 2013
Material impairment losses (recognised) reversed				
Distribution rights		(7 200)		(7 200)
Impairment of Group loans			**(5 274)**	831
		(7 200)	**(5 274)**	(6 369)

The distribution rights impairment was reversed in 2012 and impaired again in 2013. The recoverable amount of distribution rights has been based on its value in use.

Value in use

Management projected cash flows based on existing levels of orders received for the distribution rights for the Imuniti Nutritional Supplement Combo pack.

Key assumptions used by management were based on past experience and include the following:

– Revenue will remain constant;
– Growth of 10% on the current year's gross profit derived from the sales of the product;
– Period use – 10 years

The discount rate applied to the cash flow projections was 10%, being the estimated cost of capital.

28. COMMITMENTS

Figures in R thousands	**GROUP 2014**	GROUP 2013	**COMPANY 2014**	COMPANY 2013
Operating leases – as lessee (expense)				
Minimum lease payments due				
– Within one year	**431**	328	**202**	164
– In second to fifth year inclusive	**733**	723	**236**	438
Plant and machinery				
– Within one year	**237**			
	1 164	1 051	**438**	602

Management is committed to purchasing a packaging machine for Nutritional Foods Proprietary Limited in the amount of R394 657, of which a deposit of R157 863 was paid during the current financial year.

29. CONTINGENCIES

Banking facilities for Nutritional Holdings Limited are secured by unlimited letters of surety from Nutritional Foods Proprietary Limited and Impilo Marketing Proprietary Limited.

Banking facilities for Impilo Marketing Proprietary Limited and Nutritional Foods Proprietary Limited are secured by an unlimited suretyship with loan funds by Nutritional Holdings Limited.

Banking facilities granted to Nutritional Foods Proprietary Limited are secured by a first covering mortgage bond over land and buildings in the amount of R4,07 million (2013: R4,6 million).

A guarantee facility of Rnil (2013: R2 000) has been granted to Impilo Drugs (1966) Proprietary Limited and is secured by cash deposit funds.

30. RELATED PARTIES

Identity of related parties

The Group has related party relationships with its subsidiaries (refer to Directors' report) and with directors and executive officers.

Intra-company transactions

Amounts due by and to subsidiaries (refer to note 5).

Interest income from subsidiary (refer to note 5).

Administration fee received from subsidiaries (listed below).

Transactions with key management personnel

The number of shares held by the directors in the issued share capital of the company at 28 February 2014 were as listed in the Directors' report.

Key management	RS Etchells CD Angus ARJ Spanjaard (resigned 21 May 2014)
Companies controlled by non-executive director	Pop Up Trading 39 Proprietary Limited – controlled by AR Pinfold
Company secretary – non executive director	Siyabala Incorporated – owned by JA Etchells

Figures in R thousands	**GROUP 2014**	GROUP 2013	**COMPANY 2014**	COMPANY 2013
Related party transactions				
Administration fees received from related parties				
Impilo Marketing Proprietary Limited				270
Nutritional Foods Proprietary Limited			**2 640**	1 579
Loans from related parties				
Pop Up Trading 39 Proprietary Limited	**1 009**		**1 009**	
Interest paid to related parties				
Pop Up Trading 39 Proprietary Limited	**9**		**9**	
Secretarial fees paid to related parties				
Siyabala Incorporated	**13**	1	**13**	1

The loan from Pop Up Trading 39 Proprietary Limited incurs interest at prime plus 1% and is repayable on 31 July 2014.

Figures in R thousands		GROUP 2014	GROUP 2013
31. LOSS PER SHARE			
Number of ordinary shares in issue net of treasury shares	(shares)	**1 907 368**	1 907 368
Weighted average shares in issue	(shares)	**1 907 368**	1 515 068
Loss for the year	('000)	**(6 151)**	(13 433)
Loss per share	(cents)	**(0,32)**	(0,89)
32. HEADLINE LOSS PER SHARE			
Weighted average shares in issue net of treasury shares	(shares)	**1 907 368**	1 515 068
Reconciliation of headline earnings			
Loss for the year	('000)	**(6 151)**	(13 433)
Adjust for:			
Loss/(profit) from disposal of property, plant and equipment	('000)	**84**	(10)
Impairment of intellectual property rights	('000)	**38**	
Reversal of impairment of distribution rights	('000)		7 200
Headline loss		**(6 029)**	(6 243)
Headline loss per share	(cents)	**(0,32)**	(0,41)
33. DILUTED EARNINGS PER SHARE			
Weighted average shares in issue net of treasury shares	(shares)	**1 907 368**	1 515 068
Diluted weighted average shares in issue net of treasury shares	(shares)	**1 907 368**	1 515 068
Loss for the year	('000)	**(6 151)**	(13 433)
Diluted loss per share	(cents)	**(0,32)**	(0,89)

The 90 000 000 share incentive scheme shares do not have a dilutive impact as they have been allocated but not issued.

	2014 million	2013 million
34. SHARE INCENTIVE SCHEME		

A share incentive scheme exists to provide employees of the Group the opportunity to acquire shares in the capital of the Group and to give such employees the incentive to advance the interests of the Group for the ultimate benefit of all stakeholders in the Group. The share incentive scheme consists of a share purchase scheme.

The maximum ordinary shares so held may not exceed 171 599 444 of the ordinary share capital of the company.

The directors of Nutritional Holdings Limited passed a resolution in terms of clause 5.12.2 of The Imuniti Holdings Employee Share Incentive Scheme, directing the trustees to grant options to the executive directors of Nutritional Holdings Limited to buy 90 million ordinary shares in the share capital of Nutritional Holdings Limited on the following terms and conditions:

Allocation of the 90 million treasury shares

RS Etchells	40 000 000
CD Angus	20 000 000
ARJ Spanjaard	30 000 000
	90 000 000

The purchase price in respect of each share is R0.02 and the options can be exercised during a three-year option period. The options can be exercised up to a maximum of:

Nil upon the acceptance date; 33% 12 months after the acceptance date; a further 33% 24 months after the acceptance date; and the balance 36 months after the acceptance date.

	2014 million	2013 million
Total number of unallocated share incentive scheme shares		90 000

Share-based payment

Share Option: Company	Number of shares	Average share price (cents)	Total value (Rands)
Outstanding at the beginning of the year			
Allocated during the year	90 000 000	2	1 800 000
Outstanding at the end of the year	90 000 000	2	1 800 000

	GROUP 2014	GROUP 2013	**COMPANY 2014**	COMPANY 2013
Compensation expense recognised	**86 645**			–

Share options vest on the anniversary of the grant date in cumulative tranches of 33.33% per annum. Options lapse if not exercised within three years of their date of grant.

Share options held by participants at the end of the year have the following terms:

Financial year of grant	Financial year of lapse	Unexercised options	Vesting options	Number of participants	Strike price (cents)
2014	2017	1 800 000	220 274	3	2

35. NON-CURRENT ASSETS HELD FOR SALE

The Group has decided to sell its plant and machinery and motor vehicle in Impilo Drugs (1966) Proprietary Limited, one of its subsidiaries. The Group consequently classified these assets as non-current assets held for sale and accounted for these assets in accordance with IFRS 5 (Non-current assets held for sale and discontinued operations). The assets were carried at their carrying amount, which was considered to be equal to their fair value less cost to sell.

The non-current assets held for sale are set out below.

Figures in R thousands	**GROUP 2014**	GROUP 2013	**COMPANY 2014**	COMPANY 2013
Non-current assets held for sale				
Plant and machinery	**50**			
Motor vehicles	**20**			

36. GOING CONCERN

Attention is drawn to the fact that at 28 February 2014, the Group had accumulated losses of R107 765 million (2013: R101 614 million). These conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Group to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations of the Group.

The Group's gearing remains low at 1%. After taking into account "short-term financing (overdraft facilities)" gearing increases to 16%.

37. SUBSEQUENT EVENTS

ARJ Spanjaard resigned as an executive director of Nutritional Holdings Limited effective 21 May 2014.

In November 2013 management informed shareholders that legal action had been instituted against Edge to Edge Global Investments Limited for the recovery of a trade debtor owed to Nutritional Foods Proprietary Limited. On 23 May 2014 the KwaZulu-Natal division of the High Court of South Africa granted a final liquidation order against Edge to Edge Global Investments Limited. As a result thereof the full amount owing to Nutritional Foods Proprietary Limited, being R625 295, was written off in the statement of comprehensive income of the Group. Shareholders are further advised that at this stage management sees little possibility, if any, of any future revenue streams from the "exclusive manufacturing agreement" entered into with Edge to Edge Global Investments Limited for the manufacture of the Imuniti Nutritional Supplement Combo Pack. The full value of this investment was written down to Nil in the previous reporting period.

The directors are not aware of any other material matter or circumstance arising since the end of the financial year that is not disclosed in the integrated report.

38. FAIR VALUE MEASUREMENT

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of fair value heirarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities.
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on recurring basis at 28 February 2014 and 28 February 2013:

Figures in R thousands	Level 1	Level 2	Level 3	Total
28 February 2014				
Land and buildings			**10 823**	**10 823**
Non-current assets held for sale			**70**	**70**
Total			**10 893**	**10 893**
28 February 2013				
Land and buildings			10 847	10 847
Non-current assets held for sale				
Total			10 847	10 847

The fair value of the Group's main property assets is based on appraisals performed by independant, professionally-qualified property valuers on a three year cycle. The significant inputs and assumptions are developed in close consultation with management.

Refer to note 3 for details of the inputs and assumptions used in assessing the fair value of land and buildings. The directors determined that no adjustment was needed in the current year and that the effect of changes in the fair value between the date of the last appraisal and the reporting date is immaterial.

Non-current assets held for sale are measured at the lower of it's carrying amount and fair value less cost to sell. As the carrying amount of the non-current assets held for sale approximates their fair value less cost to sell, no adjustment was needed. See next page for additional disclosures.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows:

Figures in R thousands	Land and building	Non-current assets held for sale
Balance at 1 March 2013	10 847	–
Disposals	(24)	
Transfer to non-current assets held for sale	–	70
Balance at 28 February 2014	**10 823**	**70**
The amount included in profit or loss for unrealised gains on Level 3 assets	**–**	**–**

39. SEGMENTAL ANALYSIS

Operating segments

For management purposes the Group is organised into three major operating divisions, namely Nutritional Foods, Pharmaceuticals and Services. These divisions are the basis on which the company reports its primary segment information. The Nutritional Foods division involves the manufacture of high-protein and fortified powdered food and food supplements. The Pharmaceuticals division involves the supply of pharmaceutical, complementary and natural medicines. The Services division involves the provision of administration and management services.

These operating segments are monitored by the Group's chief decision-maker and strategic decisions are made on the basis of adjusted segment operating results.

	Nutritional Foods		Pharmaceuticals		Services		Consolidated	
Figures in R thousands	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Segment revenue								
Total revenue	**30 082**	29 014	**5 957**	5 164	**2 640**	1 849	**38 679**	36 027
Intersegment revenue					**(2 640)**	(1 849)	**(2 640)**	(1 849)
Total external revenue	**30 082**	29 014	**5 957**	5 164			**36 039**	34 178
Segment results								
(Loss) profit before interest and taxation	**(4 051)**	(6 666)	**181**	(3 478)	**(7 103)**	(2 086)	**(10 973)**	(12 230)
Consolidation eliminations	**2 740**	1 779		194	**2 620**	(2 804)	**5 360**	(831)
(Loss) profit before interest and taxation	**(1 311)**	(4 887)	**181**	(3 284)	**(4 483)**	(4 890)	**(5 613)**	(13 061)
Finance costs	**(349)**	(360)	**(26)**	(42)	**(240)**	(389)	**(615)**	(791)
Intersegment finance costs			**26**		**101**	95	**127**	95
Finance income		5	**26**	181	**101**	95	**127**	281
Intersegment finance income			**(26)**		**(101)**	(95)	**(127)**	(95)
Taxation			**(50)**	138			**(50)**	138
Segment (loss) profit	**(1 660)**	(5 242)	**131**	(3 007)	**(4 622)**	(5 184)	**(6 151)**	(13 433)
Segment assets	**25 019**	24 220	**7 675**	6 690	**64 129**	61 031	**96 823**	91 941
Consolidation eliminations								
Intersegment assets	**1**		**(380)**	(437)	**(52 280)**	(46 918)	**(52 659)**	(47 355)
Total external assets	**25 020**	24 220	**7 295**	6 253	**11 849**	14 113	**44 164**	44 586
Segment liabilities	**8 555**	8 199	**479**	418	**5 514**	202	**14 548**	8 819
Consolidation eliminations								
Intersegment liabilities								
Total external liabilities	**8 555**	8 199	**479**	418	**5 514**	202	**14 548**	8 819
Capital and non-cash items								
Additions to property, plant and equipment/intangibles	**555**	482	**488**	50	**37**	2	**1 080**	534
Disposals of property, plant and equipment	**(62)**		**(201)**	(40)			**(263)**	(40)
Depreciation/amortisation	**755**	628		52	**14**	13	**769**	693
Impairment losses		(3 600)	**38**	(3 600)			**38**	(7 200)
Number of employees at period-end	**31**	42	**2**	2	**1**	1	**34**	45

» SHAREHOLDER SPREAD

	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued capital
SHARES				
2014				
Public	1 252	98,9	1 311 589 108	65,7
Non-public	14	1,1	685 779 071	34,3
	1 266	100,0	1 997 368 179	100,0
2013				
Public	1110	98,8	1 326 745 775	66,4
Non-public	14	1,2	670 622 404	33,6
	1124	100,0	1 997 368 179	100,0
MAJOR SHAREHOLDERS HOLDING 5% OR MORE				
2014				
Pop Up Trading 39 Proprietary Limited			339 238 579	17,0
HJ Wessels Trust			143 625 000	7,2
AR Pinfold			111 845 015	5,6
2013				
Pop Up Trading 39 Proprietary Limited			390 000 000	19,5
HJ Wessels Trust			143 625 000	7,2
The Ellis Family Trust			140 677 439	7,0
BBE Family Trust			114 566 138	5,7
AR Pinfold			101 845 015	5,1
SL Sixty Three Company Limited			100 000 000	5,0
RANGE OF SHAREHOLDERS				
2014				
1 – 9 999	**142**	**11,2**	**543 409**	**0,0**
10 000 – 99 999	**393**	**31,0**	**14 823 537**	**0,8**
100 000 – 999 999	**494**	**39,0**	**154 567 541**	**7,7**
1 000 000 shares and over	**237**	**18,7**	**1 827 433 692**	**91,5**
	1266	**100,0**	**1 997 368 179**	**100,0**
2013				
1 – 9 999	110	9,8	422 496	0,0
10 000 – 99 999	383	34,1	14 198 976	0,7
100 000 – 999 999	443	39,4	133 092 853	6,7
1 000 000 shares and over	188	16,7	1 849 653 854	92,6
	1124	100,0	1 997 368 179	100,0

Notice is hereby given that the Annual General Meeting of shareholders of Nutritional Holdings Limited ("Nutritional Holdings" or "the Company") will be held at the Boardroom of Great Wall Motors SA (Pty) Ltd, 5 Sneezewood Lane, Glen Anil, Durban on or about Friday, 29 August 2014 at 10:00 ("the Annual General Meeting" or "the AGM")

The record date for shareholders to participate and vote at the Annual General Meeting will be Friday, 22 August 2014. Accordingly, the last day to trade in order to be eligible to participate and vote at the Annual General Meeting will be Friday, 15 August 2014.

Purpose
The purpose of the Annual General Meeting is to transact the business set out in the agenda below.

Agenda

A. Presentation of the audited annual financial statements of the Company as required by clause 33 of the Company's memorandum of incorporation ("Memorandum of Incorporation"), including the reports of the directors, the report of the external auditors and the Audit and Risk Committee report for the year ended 28 February 2014 as set out in the Company's Annual Integrated Report 2014, of which this notice forms part. The Annual Integrated Report 2014, containing the complete audited annual financial statements, is available at www.nholdings.co.za or can be obtained from the Company's registered office on request. A summarised version of the audited annual financial statements as permitted in terms of section 29(3) of the Companies Act No. 71 of 2008 ("Companies Act"), is included as annexure A of this notice of AGM.

B. In terms of clause 26.3 of the Company's Memorandum of Incorporation, directors of the Company so elected shall rotate in accordance with the provisions of clause 26.3.2. To consider and, if deemed fit, approve, with or without modification, the following ordinary and special resolutions:

Ordinary resolution number 1 – Annual financial statements
"Resolved that shareholders consider and endorse the audited financial statements of the Company, including the reports of the directors, the Audit and Risk Committee and the external auditors, for the year ended 28 February 2014."

Percentage of voting rights required to pass this resolution: 50% + 1 vote

Reason for ordinary resolution number 1
Clause 33 of the Memorandum of Incorporation requires that the annual financial statements of the Company, including the reports of the directors, the external auditors and the Audit and Risk Committee for the year ended 28 February 2014 as set out in the Company's Annual Integrated Report 2014, be considered and endorsed by shareholders at the Annual General Meeting.

Ordinary resolution number 2 – Re-appointment of auditors
"Resolved that Grant Thornton be and is hereby re-appointed as auditors of the Company for the ensuing financial year until the conclusion of the next annual general meeting of the Company, with Mr D Nagar being the designated auditor. The Audit and Risk Committee has recommended and the board has endorsed the above re-appointment."

Percentage of voting rights required to pass this resolution: 50% + 1 vote

Reason for ordinary resolution number 2
The reason for ordinary resolution number 2 is that the Company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed, as the case may be, each year at the annual general meeting of the Company as required by section 90 of the Companies Act and clause 33 of the Company's Memorandum of Incorporation.

Ordinary resolution number 3 – Auditor's remuneration

"Resolved that the auditor's remuneration for the year ended 28 February 2014 be confirmed on the recommendation of the Company's Audit and Risk Management Committee."

Percentage of voting rights required to pass this resolution: 50% + 1 vote

Reason for ordinary resolution number 3
The reason for ordinary resolution number 3 is that section 94(7) of the Companies Act requires that the Company's Audit and Risk Management Committee determine the remuneration payable to the auditor. The board recommends that the auditor's remuneration be considered and approved at the AGM.

Ordinary resolution number 4 – Re-appointment of Mrs JA Etchells as a non-executive director
"Resolved that Mrs JA Etchells, retiring as a non-executive director of the Company in accordance with the Company's Memorandum of Incorporation, but being eligible and offering herself for re-election in this capacity, be and is hereby re-appointed as a non-executive director of the Company."

An abbreviated curriculum vitae in respect of Mrs JA Etchells may be viewed on page 2 of the Annual Integrated Report 2014.

Percentage of voting rights required to pass this resolution: 50% + 1 vote

Reason for ordinary resolution number 4
The reason for ordinary resolution number 4 is that in terms of the Company's Memorandum of Incorporation, one-third of the non-executive directors are required to retire at each annual general meeting of the Company. These directors may offer themselves for re-election. The board recommends to shareholders the re-election of the director mentioned above who retires by rotation in terms of clause 26.3 of the Company's Memorandum of Incorporation and who is eligible for re-election and who has offered herself for re-election

Ordinary resolution number 5 – Re-appointment of Mr AR Pinfold as a member of the Audit and Risk Management Committee
"Resolved that Mr AR Pinfold be and is hereby re-appointed as a member of the Audit and Risk Management Committee of the Company with effect from the conclusion of this AGM until the following Annual General Meeting of the Company."

An abbreviated curriculum vitae in respect of Mr AR Pinfold may be viewed on page 2 of the Annual Integrated Report 2014.

Percentage of voting rights required to pass this resolution: 50% + 1 vote

Ordinary resolution number 6 – Re-appointment of Mr GR Wambach as a member of the Audit and Risk Management Committee
"Resolved that Mr GR Wambach be and is hereby re-appointed as a member of the Audit and Risk Management Committee of the Company with effect from the conclusion of this AGM until the following Annual General Meeting of the Company."

An abbreviated curriculum vitae in respect of Mr GR Wambach may be viewed on page 2 of the Annual Integrated Report 2014.

Percentage of voting rights required to pass this resolution: 50% + 1 vote

Ordinary resolution number 7 – Re-appointment of Mr TR Hendry as a member of the Audit and Risk Management Committee
"Resolved that Mr TR Hendry be and is hereby re-appointed as a member of the Audit and Risk Management Committee of the Company, with effect from the conclusion of this AGM until the following Annual General Meeting of the Company."

An abbreviated curriculum vitae in respect of Mr TR Hendry may be viewed on page 2 of the Annual Integrated Report 2014.

Percentage of voting rights required to pass this resolution: 50% + 1 vote

Reason for ordinary resolution numbers 5, 6 and 7
The reason for ordinary resolution numbers 5, 6 and 7 is that the Company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed or re-appointed, as the case may be, at each annual general meeting of the Company.

Ordinary resolution number 8 – Placing unissued ordinary shares for purpose of share option scheme under the control of the directors
"Resolved that 171 559 444 unissued ordinary shares in the capital of the Company, reserved for the purpose of the Company's share option scheme, be and ARE hereby placed under the control of the directors who, until the next Annual General Meeting, shall be authorised to issue these shares at such times and on such terms as they may determine subject, to the extent applicable, to the Company's Memorandum of Incorporation, the Companies Act and the Listings Requirements of the JSE Limited ("JSE")."

Percentage of voting rights required to pass this resolution: 50% + 1 vote

Reason for ordinary resolution number 8
The reason for ordinary resolution number 8 is that the Company wishes to incentivise its executives and senior staff through the Company's share option scheme.

Ordinary resolution number 9 – Placing of the authorised but unissued ordinary share capital under the control of the directors
"Resolved that the entire authorised but unissued ordinary share capital of no par value of the Company be and is hereby placed under the control of the directors of the Company, which directors are, subject to the JSE Listings Requirements and the provisions of the Companies Act, authorised to allot and issue any such shares at such time or times, to any such person or persons, company or companies and upon such terms and conditions as they may determine, such authority to remain in force until the next Annual General Meeting of the Company."

Percentage of voting rights required to pass this resolution: 50% + 1 vote

Reason for ordinary resolution number 9
In terms of the Company's Memorandum of Incorporation, the shareholders of the Company have to approve the placement of the unissued ordinary shares under the control of the directors. Unless renewed, the existing authority granted by the shareholders at the previous AGM on 5 July 2013 expires at the forthcoming AGM. The authority will be subject to the Companies Act and the JSE Listings Requirements.

The directors have decided to seek annual renewal of this authority, in accordance with best practice. The directors have no current plans to make use of this authority, but are seeking its renewal to ensure that the Company has maximum flexibility in managing the Group's capital resources.

Ordinary resolution number 10 – General authority to issue shares for cash
"Resolved that in terms of the JSE Listings Requirements, the general authority given to the directors of the Company to issue any unissued ordinary shares for cash, as and when suitable opportunities arise, be renewed subject to the following conditions:

- This general authority is valid until the Company's next annual general meeting, provided that it shall not extend beyond fifteen months from the date of the passing of this ordinary resolution;
- The securities issued for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
- After the Company has issued shares for cash which represent, on a cumulative basis within a financial year 5% or more of the number of shares of that class in issue prior to such issue, the Company shall publish an announcement containing full details of the issue (including the number of shares issued, the average discount to the weighted average traded price of the shares over 30 business days prior to the date that the issue is agreed in writing between the issuer and the party subscribing for the shares, and the effect of the issue on net asset value, net tangible asset value, earnings and headline earnings per share), or any other announcement that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time;
- The number of shares issued for cash in aggregate in any one financial year shall not exceed 50% of the Company's issued share capital of ordinary shares as at the date of this notice of Annual General Meeting. As at the date of this notice of Annual General Meeting, 50% of the Company's issued share capital of ordinary shares amounts to [998 684 090] ordinary shares.;
- The maximum discount at which ordinary shares may be issued is 10% of the weighted average traded price of those shares over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the shares or any other price agreed by the JSE Limited;
- The allotment and issue of shares must be made to public shareholders as defined in the JSE Listings Requirements, and not to related parties."

Percentage of voting rights required to pass this resolution: 75%

Reason for ordinary resolution number 10
For listed entities wishing to issue shares for cash, it is necessary for the board not only to obtain the prior authority of the shareholders as may be required in terms of their Memorandum of Incorporation contemplated in ordinary resolution number 10 above, but it is also necessary to obtain the prior authority of shareholders in accordance with the JSE Listings Requirements. The reason for this resolution is accordingly to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements. The authority granted in terms of this ordinary resolution number 10 must accordingly be read together with authority granted in terms of ordinary resolution number 9 above and any exercise thereof will be subject to the conditions contained in ordinary resolution number 10.

Ordinary resolution number 11 – Authorisation to sign any documents
"Resolved that any director and/or Company Secretary of the Company be and is hereby authorised to sign any documents and to take any steps as may be necessary or expedient to give effect to ordinary resolution numbers 1 to 10, and special resolution numbers 1 to 2."

Percentage of voting rights required to pass this resolution: 50% + 1 vote

Special resolution number 1 – Remuneration of non-executive directors
"Resolved in terms of section 66(9) of the Companies Act, that the Company be and is hereby authorised to remunerate its non-executive directors for their services as directors on the basis set out below and on any other basis as may be recommended by the Remuneration Committee and approved by the board, provided that this authority will be valid until the next annual general meeting of the Company:

Independent non-executives
Proposed annual remuneration:

Board members: R150 000 per annum payable half yearly.

Remuneration is based on four board meetings, four Audit and Risk Management Committee meetings and two Remuneration Committee Meetings per year.

Percentage of voting rights required to pass this resolution: 75%

Reason for special resolution number 1
The reason for special resolution number 1 is for the Company to obtain the approval of shareholders by special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1 is that the Company will be able to pay its non-executive directors for the services they render to the Company as directors without requiring further shareholder approval until the next annual general meeting.

Special resolution number 2 – Acquisition of the Company's own shares
"Resolved in terms of section 46 and 48 of the Companies Act and the Memorandum of Incorporation of the Company (or one of its wholly-owned subsidiaries) that the directors of the Company be authorised, by way of a general approval, until this authority lapses at the next Annual General Meeting of the Company, provided that it shall not extend beyond 15 (fifteen months) from the date of passing of this special resolution (whichever period is the shorter), to acquire the Company's own shares, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of the JSE Listings Requirements and further subject to the following terms and conditions:

- Any repurchase of shares must be affected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- After the Company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the initial number of shares in issue (at the time that authority from shareholders for the repurchase is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, the Company shall publish an announcement containing full details of such repurchase;
- At any one point in time the Company may only appoint one agent to effect any repurchase on the Company's behalf;
- The repurchase of shares may not be undertaken by the Company or any of its wholly-owned subsidiaries during a prohibited period as defined by the Listings Requirements of the JSE, unless a repurchase programme is in place where the dates and quantities of shares to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period;
- The number of shares which may be repurchased pursuant to this authority in any one financial year may not in aggregate exceed 20% of the Company's issued share capital as at the date of passing of this special resolution or 10% of the Company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company;
- The repurchase of shares may not be made at a price greater than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date on which the transaction is effected; and

- The Company's designated advisor shall confirm the adequacy of the Company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE prior to entering the market to proceed with the repurchase."

Percentage of voting rights required to pass this resolution: 75%

Reason for special resolution number 2
The reason for this special resolution is to extend the general authority given to the directors of the Company or any subsidiary of the Company in terms of the Companies Act and the JSE Listings Requirements for the acquisition by the Company or its subsidiaries of the Company's shares, which authority shall be used at the directors' discretion during the course of the period authorised.

The directors, after considering the effect of the maximum repurchase permitted, are of the opinion that for a period of 12 (twelve months) after the date of the notice of this Annual General Meeting:

- The Company and the Group will be able to pay their debts in the ordinary course of business;
- The consolidated assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards (IFRS), will be in excess of the liabilities of the Company and the Group. For this purpose the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited Group annual financial statements;
- The share capital and reserves of the Company and the Group will be adequate for the ordinary business purposes; and
- The working capital of the Company and the Group will be adequate for ordinary business purposes.

In accordance with the JSE Listings Requirements, the directors record that:

Although there is no immediate intention to effect a repurchase of securities of the Company, the directors would utilise the general authority to repurchase securities as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

Disclosure requirements in terms of the Listings Requirements
The following additional information, some of which may appear elsewhere in the Annual Integrated Report 2014, is provided in terms of the JSE Listings Requirements for purposes of ordinary resolution number 10 and special resolution number 2:

Directors and management	page 2
Major shareholders	page 64
Directors' interest in shares	page 25
Share capital of the company	page 50

Directors' responsibility statement
The directors, whose names are given on page 2 of this Annual Integrated Report 2014, collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution contains all the information required by the JSE Limited.

Material change
Other than the facts and developments reported on in this Annual Integrated Report 2014, there have been no material changes in the affairs, financial or trading position of the Company or its subsidiaries since the Company's financial year-end and the signature of this report.

Litigation statement
As reported in the previous year's annual report, on 3 October 2009, summons was served on Nutritional Holdings by Andrew Maxwell Tully, Harold Levin, Colin Craig Elsworth and Randal James Brereton, being the trustees of the Tully Family Trust, which trust was the previous owner of the Impilo Group. In terms of the summons, the plaintiffs are claiming that shares issued to them at 60 cents per share, should have been issued at 48 cents per share. The plaintiffs issued a further summons on Nutritional Holdings on 4 December 2009, claiming that the 33 333 333 shares issued to the Tully Family Trust were issued in certified form and thus contrary to the Impilo acquisition agreement in that they were not issued in negotiable form. An appearance to defend both summons' has been filled at the time of receipt. No further action has been taken by the trustees of the Tully Family Trust since entering an appearance to defend some four years ago.

Aside from the information detailed above, Nutritional Holdings and its subsidiaries are not involved in any material legal or arbitration proceedings or legal actions, nor are the directors aware of any proceedings that are pending or threatened, that may have, or have had in the 12-month period preceding the legal practicable date, a material effect on the Group's financial position

Proxies

A shareholder of the Company entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend, speak and on a poll vote in his stead. The proxy need not be a shareholder of the Company. A form of proxy is attached for the convenience of any certificated shareholder and own name registered dematerialised shareholder who cannot attend the Annual General Meeting, but who wishes to be represented.

Additional forms of proxy may also be obtained on request from the Company's registered office. The completed forms of proxy must be deposited at, posted or faxed to the registered office of the Company or the transfer secretaries at their respective addresses set out below, to be received by no later than 10:00 on Wednesday, 27 August 2014. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the Annual General Meeting should the member subsequently decide to do so.

Shareholders who have dematerialised their ordinary shares through a CSDP or broker, other than own name registered dematerialised shareholders, and who wish to attend the Annual General Meeting must request their CSDP or broker to issue them with a letter of representation. Alternatively, dematerialised shareholders other than own name registered dematerialised shareholders, who wish to be represented, must provide their CSDP or broker with their voting instructions in terms of the custody agreement between them and their CSDP or broker in the manner and by the time-frame stipulated.

Voting

On a show of hands, every shareholder of the Company present in person or by proxy shall have 1 (one) vote only, irrespective of the number of shares he holds or represents, provided that a proxy shall, irrespective of the number of shareholders he represents, have only 1 (one) vote. On a poll, every shareholder of the Company who is present in person or represented by proxy, shall have one vote for every share held in the Company by such shareholder.

By order of the board

JA Etchells CA (SA)
Company Secretary

Durban
30 May 2014

Registered office address

Suite 3, 49 Richefond Circle
Ridgeside Office Park
Umhlanga Ridge
Kwazulu-Natal
4319

P O Box 5026
Frosterley Park
La Lucia Ridge Office Estate
4019

Transfer secretaries

Link Market Services (Pty) Limited
13th Floor Rennie House
19 Ameshoff Street
Braamfontein
Johannesburg, 2001

P O Box 4844
Johannesburg, 2000

» FORM OF PROXY

NUTRITIONAL HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2004/002282/06)
ISIN Code: ZAE 000156485 Share code: NUT
("Nutritional Holdings" or "the Company")

For use by certificated and own name registered shareholders of the Company ("members") at the Annual General Meeting of Nutritional Holdings to be held at 10:00 on Friday, 29 August 2014 ("the Annual General Meeting") at the Boardroom of Great Wall Motors SA (Pty) Ltd, 5 Sneezewood Lane, Glen Anil, Durban.

I/We: (please print names in full)

of: (address)

being the holder/s of: ordinary shares of no par value in Nutritional Holdings, appoint (see note 1)

1. or failing him,

2. or failing him,

3. the chairperson of the Annual General Meeting,

as my/our proxy to act for me/us and on my/our behalf at the Annual General Meeting which will be held for the purpose of considering, and if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 3):

	Number of votes (one vote per share)		
	For	Against	Abstain
Ordinary resolution number 1 – Endorsement of annual financial statements			
Ordinary resolution number 2 – Re-appointment of auditors			
Ordinary resolution number 3 – Auditors, remuneration			
Ordinary resolution number 4 – Re-appointment Mrs JA Etchells as a non-executive director			
Ordinary resolution number 5 – Re-appointment of Mr AR Pinfold as a member of the Audit and Risk Management Committee			
Ordinary resolution number 6 – Re-appointment of Mr GR Wambach as a member of the Audit and Risk Management Committee			
Ordinary resolution number 7 – Re-appointment of Mr TR Hendry as a member of the Audit and Risk Management Committee			
Ordinary resolution number 8 – Placing unissued ordinary shares for purpose of share option scheme under the control of the directors			
Ordinary resolution number 9 – Placing of the authorised but unissued ordinary share capital under the control of the directors			
Ordinary resolution number 10 – General authority to issue shares for cash			
Ordinary resolution number 11 – Authorisation to sign any documents			
Special resolution number 1 – Remuneration of non-executive directors			
Special resolution number 2 – Acquisition of Company's own shares			

Signed at: on 2014

Signature:

Assisted by me where applicable:

Name: Capacity: Signature:

Please read the notes on the reverse hereof.

» NOTES TO THE FORM OF PROXY

Certificated shareholders

If you are a certificated shareholder or have dematerialised your shares with own name registration and you are unable to attend the Annual General Meeting of Nutritional Holdings shareholders to be held at 10:00 on Friday, 29 August 2014 and wish to be represented thereat, you must complete and return this form of proxy in accordance with the instructions contained herein and lodge it with, or post it to the transfer secretaries, namely Link Market Services.

Dematerialised shareholders other than those with own name registration

If you hold dematerialised shares in Nutritional Holdings through a CSDP or broker other than with an own name registration, you must timeously advise your CSDP or broker of your intention to attend and vote at the general meeting or be represented by proxy thereat in order for your CSDP or broker to provide you with the necessary letter of representation to do so, or should you not wish to attend the general meeting in person, you must timeously provide your CSDP or broker with your voting instruction in order for the CSDP or broker to vote in accordance with your instruction at the Annual General Meeting.

NOTES:

1. Each member is entitled to appoint one or more proxies (who need not be shareholders of the Company) to attend, speak and, on a poll, vote in place of that member at the Annual General Meeting.
2. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the chairperson of the Annual General Meeting". The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box/es provided. Failure to comply with the above will be deemed to authorise the chairperson of the Annual General Meeting, if he is the authorised proxy, to vote in favour of the resolutions at the Annual General Meeting, or any other proxy to vote or to abstain from voting at the general meeting as he deems fit, in respect of all the member's votes exercisable thereat.
4. A member or his proxy is not obliged to vote in respect of all the ordinary shares held or represented by him but the total number of votes for or against the resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his proxy is entitled.
5. Forms of proxy must be lodged with, or posted to the transfer secretaries to be received no later than 48 hours before the Annual General Meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof, should such member wish to do so.
7. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer office or waived by the chairperson of the Annual General Meeting.
9. The chairperson of the Annual General Meeting may reject or accept any proxy form which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.

» CORPORATE INFORMATION

Country of Incorporation and domicile	South Africa
Holding company registration number	2004/002282/06
Directors	CD Angus JA Etchells RS Etchells TR Hendry AR Pinfold GR Wambach
Registered Office	Suite 3 49 Richefond Circle Ridge side Office Estate Umhlanga Rocks 4319
Postal address	PO Box 5026 Frosterley Park La Lucia Ridge Office Estate 4019
Auditors	Grant Thornton (Durban) Practice number: 905690 2nd Floor 4 Pencarrow Crescent Pencarrow Park La Lucia Ridge Office Estate La Lucia 4019
Telephone	031 536 8066
Facsimile	031 536 8055