

Nutritional Holdings Limited  
 Reg no 2004/002282/06  
 (Incorporated in the Republic of South Africa)  
 ("the Group" or "the Company")  
 Share code : NUT                      ISIN code : ZAE000156485

UNAUDITED CONDENSED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST  
 2014

The unaudited financial statements are presented on a consolidated basis

Condensed Consolidated Income Statement for the period ended	Unaudited Six months 31 Aug 2014 R'000	Unaudited Six months 31 Aug 2013 R'000	Audited Year ended 28 Feb 2014 R'000
Revenue	19,300	19,224	36,039
Cost of Sales	(11,501)	(11,193)	(21,101)
Gross Profit	7,799	8,031	14,938
Operating loss before interest	(1,562)	(1,708)	(5,575)
Reversal of impairment of intangible asset	-	-	(38)
Finance costs	(420)	(192)	(488)
Finance income	-	14	-
(Loss) before taxation	(1,982)	(1,886)	(6,101)
Taxation	(44)	(51)	(50)
(Loss) for the period	(2,026)	(1,937)	(6,151)
Other comprehensive income for the year net of taxation Attributable to ordinary shareholders	- (2,026)	- (1,937)	- (6,151)
(Loss) per share (cents) - basic and diluted	(0.11)	(0.10)	(0.32)
Headline (loss) per share (cents) - basic and diluted	(0.11)	(0.10)	(0.32)
Number of ordinary shares in issue (000)			
- issued net of treasury shares	1,907,368	1,907,368	1,907,368
- weighted-average	1,907,368	1,907,368	1,907,368
- Diluted weighted-average	1,907,368	1,907,368	1,907,368
Calculation of headline earnings (Loss) for the period	(2,026)	(1,937)	(6,151)
Impairment of intellectual property rights	-	-	38

Loss on disposal of property, plant and equipment	-	-	84
Headline (loss) attributable to ordinary shareholders	(2,026)	(1,937)	(6,029)

Condensed Consolidated Statement of Financial Position for the period ended	Unaudited Six months 31 Aug 2014 R'000	Unaudited Six months 31 Aug 2013 R'000	Audited Year ended 28 Feb 2014 R'000
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#### ASSETS

##### Non-current assets

Property, plant and equipment	13,523	13,945	13,438
Intangibles	12,662	12,156	12,494
Deferred taxation	8,193	8,302	8,256
	34,378	34,403	34,188

##### Current assets

Inventories	5,568	5,396	5,141
Trade and other receivables	5,262	6,049	4,662
Loans receivable	9	9	9
Bank balance and cash	138	165	94
	10,977	11,619	9,906

##### Non-current assets held for sale

	70	-	70
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TOTAL ASSETS	45,425	46,022	44,164
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#### EQUITY AND LIABILITIES

##### Capital and reserves

Stated capital	131,722	131,722	131,722
Reserves	5,659	5,659	5,659
Accumulated Losses	(109,791)	(103,551)	(107,765)
Total shareholders' funds	27,590	33,830	29,616

##### Non-current liabilities

Interest-bearing borrowings	133	199	167
Deferred taxation	2,992	3,058	3,012
	3,125	3,257	3,179

##### Current liabilities

Trade and other payables	5,946	3,783	4,953
Bank overdraft	5,853	5,092	5,344
Loans from related parties	2,845	-	1,009
Current portion of interest-bearing borrowings	66	60	63

	14,710	8,935	11,369
TOTAL EQUITY AND LIABILITIES	45,425	46,022	44,164
Net asset value per share (cents)	1.4	1.8	1.6

Condensed Consolidated Statement of Cash Flows For the period ended	Unaudited Six months 31 Aug 2014 R' 000	Unaudited Six months 31 Aug 2013 R' 000	Audited Year ended 28 Feb 2014 R' 000
(Loss) before taxation	(1,982)	(1,886)	(6,101)
Depreciation	290	404	769
Loss on disposal of assets	-	-	84
Interest received	-	(14)	-
Finance costs	420	192	488
Impairments	-	-	38
(Increase) in working capital	(35)	(3,886)	(1,067)
Cash utilised by operations	(1,307)	(5,190)	(5,789)
Finance costs	(420)	(192)	(488)
Finance income	-	14	-
Cash flows from operating activities	(1,727)	(5,368)	(6,277)
Cash flows from investing activities	(544)	(687)	(1,080)
Cash flows from financing activities	1,806	(28)	952
Net (decrease)increase in cash and cash equivalents	(465)	(6,083)	(6,405)
Cash and cash equivalents at beginning of period	(5,250)	1,155	1,155
Cash and cash equivalents at end of period	(5,715)	(4,928)	(5,250)

Condensed consolidated Statement of Changes in Equity for the period ended 31 August 2014	Stated capital R' 000	Trea- sury shares R' 000	Total stated capital R' 000	Reval- uation reserve R' 000	Re- tained earnings R' 000	Total ordinary Share- holders' funds R' 000
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Balance at 28 February 2013 - audited	138,463	(6,741)	131,722	5,659	(101,614)	35,767
Total comprehensive						

loss for the period			-		(1,937)	(1,937)
Balance at 31 August 2013 - unaudited	138,463	(6,741)	131,722	5,659	(103,551)	33,830
Total comprehensive loss for the period			-		(4,214)	(4,214)
Balance at 28 February 2014 - audited	138,463	(6,741)	131,722	5,659	(107,765)	29,616
Total comprehensive loss for the period			-		(2,026)	(2,026)
Balance at 31 August 2014 - unaudited	138,463	(6,741)	131,722	5,659	(109,791)	27,590

Condensed Group Segmental Analysis	Nutritional Foods	Pharmaceutical	Services	Consolidated
	R'000	R'000	R'000	R'000
<i>Business segments</i>				
for the six months ended 31 August 2014 - unaudited				
Revenue from external sales	16,917	2,383	-	19,300
Segment Profit (Loss) before tax	206	156	(2,344)	(1,982)
Taxation				(44)
Segment (Loss) for the period				(2,026)
for the six months ended 31 August 2013 - unaudited				
Revenue from external sales	16,403	2,821	-	19,224
Segment Profit (Loss) before tax	(28)	184	(2,042)	(1,886)
Taxation				51
Segment (Loss) for the period				(1,937)
for the year ended 28 February 2014 - audited				
Revenue from external sales	30,082	5,957	-	36,039
Segment Profit (Loss) before tax	(1,660)	181	(4,622)	(6,101)
Taxation				(50)
Segment (Loss) for the year				(6,151)

## COMMENTARY

### Basis of presentation

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34 - Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) (the interpretations adopted by the International Accounting Standards Board (IASB)), The SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncement as issued by the Financial Reporting Accountants Council, the Listings

Requirements of the JSE Limited and the Companies Act, No 71 of 2008, as amended.

## Accounting Policies

The condensed financial results have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost. 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 period ended 31 August 2014 is nil.

The condensed financial results have been prepared under the supervision of the Chief Financial Officer, CD Angus CA(SA).

Neither these condensed interim financial results, nor any reference to future financial performance included in this results announcement, has been reviewed or reported on by the Company's external auditor, Grant Thornton.

## Nature of business

The Group comprises two operating and one service division. Nutritional Foods manufactures a range of fortified staple dry foods from soya, sorghum and maize at its ISO 22000:2005 accredited factory in Klerksdorp. Impilo Marketing distributes a range of medicines registered with the Medicines Control Council and other non-registered "complementary" medicines.

## Overview

The past six months have proven to be extremely trying with management's main focus during the period being the re-capitalisation of the Group as well as concluding an agreement with a suitable black empowerment partner. Meanwhile the Group continues to deal with cash flow pressures. During the past six months management have focused on discussions with strategic suppliers into the FMCG trade as well as negotiating with third parties to undertake contract/toll manufacturing.

## Nutritional Foods Division -

The Company's planned entry into the FMCG market has been hampered due to a lack of funding. The re-branding exercise started in the previous financial year has been placed on hold pending the successful re-capitalisation of the Company. The current depressed state of the economy with specific emphasis on consumer spending in the lower LSM brackets has continued to hamper the Company's ability to grow turnover. This trend is expected to continue into the second half of the 2015 financial year. The mining strike during January 2014 to June 2014 did not help matters as consumers and their dependants in this sector have been hit hard resulting in disposable income being decreased even further. Coupled to this, orders from the mining sector for the Company's products reduced dramatically. Despite these difficulties turnovers remained in line with those of the previous corresponding period. The Company's lack of BEE credentials have affected its ability to tender directly with government departments resulting in the Company having to negotiate via third party service providers. This was identified as a critical area requiring urgent attention, which will be addressed by the conclusion of a BEE deal.

## Pharmaceutical Division -

During the latter half of the previous reporting period management took the decision to appoint additional contract manufacturers to its registered dossiers to ensure consistency of supply. This process was finalised in January 2014 with all production moving to a new contract manufacturer. Unfortunately the Company's lack of cash flow hampered its ability to invest in inventories during the change over to the new manufacturer, which in turn resulted in stock-outs occurring.

After careful consideration of the Group's strengths and weaknesses, as well as cash flow constraints, management has resolved to enter into a long term royalty contract with "Avid Brands" whereby AVID will take over full control of the manufacture, marketing and sale of its schedule zero registered medicines. In return, the Company will receive royalties from all sales with guaranteed minimums put in place. This will free up management's time and resources to concentrate on its core business, being the manufacture of fortified dry foods.

Impilo Drugs will however continue to explore unlocking the tender market for its range of products and looks forward to the successful conclusion of a suitable BEE transaction.

## Financial overview

Group Turnover remained stagnant at R19,3 million compared to R19,2 million in the previous corresponding period. Gross Profit decreased by 3% to R7,8m, with the Headline Loss for the period being R2 million compared to R1.9 million.

The Group's gearing remains low at 0.7% before short term overdraft banking facilities and 18% after accounting for its short term banking facilities. The Company has no long term debt with all assets on the balance sheet remaining unencumbered with the exception of the Klerksdorp factory premises which has been pledged as security via a covering bond for the Group's overdraft facilities.

## Events after the reporting period

Management are pleased to advise shareholders that the Group has entered into an agreement with a BEE consortium "Philisani", whereby "Philisani" will, upon conclusion of the transaction, own 34% of the issued share capital of the Group by way of an issue of shares for cash ("the BEE transaction").

This exercise will raise R10 million to re-capitalise the Group's trading companies but more importantly give the Group the necessary BEE credentials required to participate in tenders with government and parastatal entities. The board has appointed PSG Capital to attend to the statutory requirements for the transaction. A Special General Meeting of shareholders will be held on 5 December 2014 for shareholder approval.

Philisani is headed by Mr Thabo Mogkatlha. Thabo is a Chartered Accountant who has served on the following boards in the past, Impala Platinum Limited, York Timbers Limited, Astrapak Limited and Hyprop Limited.

There are no other material events after the period ended 31 August 2014 to report

#### Deferred Tax Assets

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 in the current and previous reporting period 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. 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.

#### Going concern

Shareholders are advised that the unaudited interim results for the six months ended 31 August 2014 have been prepared on the going concern concept. The annual report for the year ended 28 February 2014 contained emphasis of matter as to going concern.

#### Prospects

The BEE transaction will see Philiani inject much needed funding into the Group as well as create a base from which management will be able to unlock the potential of its dry food manufacturing plant in Klerksdorp. Upon the successful conclusion of the BEE transaction Mr Mokgatahla will take up the position of Group Chief Executive Officer. Mr Rob Etchells will remain a director of the Company as the Chief Operating Officer.

#### Changes to the Group's board

The following changes to the board of directors occurred during the past financial period:-

- Mr ARJ Spanjaard resigned as Group Sales Director effective 21 May 2014;
- Mrs JA Etchells resigned as a non-executive director from the board effective 15 August 2014. Mrs Etchells remains Company Secretary;
- Mr AR Pinfold resigned as a member of the audit committee and was appointed as a member of the remuneration committee effective 15 August 2014; and
- Dr C Kapnias was appointed as an independent non-executive director to the board as well as a member of the audit committee effective 15 August 2014.

On behalf of the board  
R.S.Etchells  
*Chief Executive Officer*

Umhlanga Rocks  
6 November 2014

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Directors

RS Etchells (Chief Executive Officer)

CD Angus (Chief Financial Officer)

TR Hendry (Independent Non-executive)

C Kapnias (Independent Non-executive)

AR Pinfold (Non-executive)

GR Wambach (Independent Non-executive Chairman)

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Designated Advisor

PSG Capital Proprietary Limited

Transfer secretaries

Link Market Services South Africa Proprietary Limited

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