

NUTRITIONAL HOLDINGS LIMITED  
(Incorporated in the Republic of South Africa)  
(Registration number 2004/002282/06)  
JSE Share code: NUT ISIN: ZAE000156485  
("Nutritional Holdings" or the "Company")

REVIEWED FINANCIAL RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2020 –

FINANCIAL HIGHLIGHTS

-	2020	2019	Percentage Growth
• <b>EARNINGS PER SHARE (cents)</b>	0.05	(0.06)	<b>183%</b>
• <b>HEADLINE EARNINGS PER SHARE (cents)</b>	0.05	(0.06)	<b>183%</b>
• <b>NET ASSET VALUE PER SHARE (cents)</b>	2.19	1.31	<b>67%</b>
• <b>TURNOVER (R'000)</b>	R41 729	R37 876	<b>10%</b>
• <b>PROFIT/LOSS (R'000)</b>	R7 473	(R5 402)	<b>238%</b>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<b>Statement of Profit and Loss and Comprehensive Income</b>		
	<b>Reviewed</b>	<b>Audited</b>
<b>R'000</b>	<b>29 February 2020</b>	<b>28 February 2019</b>
	<b>R'000</b>	<b>R'000</b>
Revenue	41 729	37 876
Cost of sales	(18 830)	(22 757)
<b>Gross Profit</b>	<b>22 899</b>	<b>15 119</b>
Operating Expenses excluding impairments	(21 677)	(18 895)
<b>Net profit</b>	<b>1 222</b>	<b>(3 776 )</b>
Other income	99	37
Profit on sale of asset	-	122
<b>Operating Profit / (Loss) for the year</b>	<b>1 321</b>	<b>(3 617 )</b>
Net Interest Expense	(2 099)	(1 785)
<b>Loss before taxation for the year</b>	<b>(778)</b>	<b>(5 402)</b>
Taxation	8 251	-
Profit / Loss for the year	7 473	(5 402)
Other comprehensive income for the year net of taxation	-	-
<b>Total comprehensive income</b>	<b>7 473</b>	<b>(5 402)</b>
EPS (cents per share)	0.05	(0.06)
HEPS (cents per share)	0.05	(0.06)
<b>Weighted average number of shares in issue</b>	<b>13 653 358</b>	<b>8 530 080</b>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>Reviewed 29 February 2020 R'000</b>	<b>Audited 28 February 2019 R'000</b>
<b>ASSETS</b>		
Non-Current Assets		
Property, plant and equipment	27 017	23 214
Intangible assets	1 288	1 622
Deferred tax	7 458	5 415
	35 763	30 251
Current Assets		
Inventories	3 251	3 322
Trade and other receivables	13 922	5 483
Cash and cash equivalents	355	838
	17 528	9 643
<b>Total Assets</b>	<b>53 291</b>	<b>39 894</b>
<b>EQUITY AND LIABILITIES</b>		
Equity		
Share capital	160 625	159 580
Revaluation reserve	13 399	10 733
Share based payment reserve	212	-
Accumulated loss	(144 894 )	(152 367)
	29 342	17 946
Liabilities		
Non-Current liabilities		
Related party loans	17 015	12 552
Deferred tax	373	5 415
	17 388	17 967
Current Liabilities		
Trade and other payables	5 072	3 075
Lease liabilities	290	-
Bank overdraft	1 199	906
	6 561	3 981

Total Equity and Liabilities	<b>53 291</b>	<b>39 894</b>
Net asset value per share (cents)	2.19	1.71

#### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Treasury shares R'000	Total Share capital R'000	Share- based payment reserve	Revaluation reserve R'000	Accumulated Loss R'000	Total equity R'000
<b>Balance at 28 February 2019</b>	166 321	(6 741)	159 580	212	10 521	(152 367)	17 946
Total comprehen sive profit/loss for the year	1 045	-	1 045	-	2 878	7 474	11 396
<b>Balance at 29 February 2020</b>	167 366	(6 741)	160 625	212	13 399	(144 895)	29 342

#### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 29 February 2020 R'000	Audited 28 February 2019 R'000
Cash used in operations	(2 828)	(3 513)
Net interest expense	63	(1 785)
Cash flows from operating activities	(2 764)	(5 298)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1 830)	(1 287)
Purchase of intangible assets	(30)	(79)
Proceeds on sale of property, plant and equipment	65	257
Cash flows from investing activities	(1 795)	(1 109)
Cash flows utilised in financing activities		
Proceeds from share issue	1 045	9 494
Net movement on related party loans	2 952	1 091
Finance costs	(213)	

Net movement on secured loans	-	(2 432)
Cash flows utilised in financing activities	3 783	8 153
Net (decrease)/increase in cash and cash equivalents	(766)	1 746
Cash and cash equivalents at beginning of the year	(68)	(1 814)
Cash and cash equivalents at end of the year	(844)	(68)

## GROUP SEGMENTAL ANALYSIS

<b>Business segments</b>	<b>Nutritional Foods</b>	<b>Health Solutions</b>	<b>Services</b>	<b>Consolidated</b>
<b>R'000</b>				
For the year ended 29 February 2020				
Revenue from external sales	33 435	-	8 294	41 729
Revenue from internal sales	-	-	35	35
Segment loss before tax	(5 392)	-	4 614	(778)
Taxation	793	-	7 458	8 251
Loss for the year	(4 599)	-	12 072	7 474
Total external assets	35 955	-	17 336	53 291

<b>Business segments</b>	<b>Nutritional Foods</b>	<b>Health Solutions</b>	<b>Services</b>	<b>Consolidated</b>
<b>R'000</b>				
For the year ended 28 February 2019				
Revenue from external sales	37 876	-		37 876
Revenue from internal sales	-	-	600	600
Segment loss before tax	(2 629)	-	(2 773)	(5 402)
Taxation	-	-	-	-
Loss for the year	(2 629)	-	(2 773)	(5 402)

Total external assets	38 699	-	1 197	39 896
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## OVERVIEW

Nutritional Holdings is pleased to report its results for the year ended 29 February 2020 (“Current Reporting Period”) and shareholders are accordingly advised that the Company is excited to report its final results. The increases in EPS and HEPS for the Current Reporting Period compared to the previous corresponding period are due mainly to movements in, inter alia, the following items:

1. The welcomed and impressively pleasing profit is as a result of efficient execution of a strategic plan by the CEO of Nutritional Holdings to sign an interim management agreement for Nutritional Holdings to manage Ukusekela Holdings for the sole profit and loss of the duration of the management agreement. The proposed acquisition which led to the signing of the interim management agreement has borne fruit and bodes well for future quarter on quarter growth and expected positive cash flows. The global trend for Cannabis sector companies has achieved triple digit growth and this achievement further illustrates that the company is on track to mirror its global counterparts in delivering impressive profits in both the short and medium term. The largest factor in achieving the profit must be attributed to exponential demand and resultant growth in the sale of Cannabis associated products inter alia; “The Ultimate Immune Booster with Cannabis Extract.” This aligns with Nutritional Holdings CEO’s vision in the proposed acquisition of Ukusekela. NUTs roll-out plan globally is to tie up with major pharmaceutical companies in Europe and Africa to distribute its CBD products. A detailed announcement will follow in the near term. Interruptions as a result of the pandemic which caused production in many industries to come in marginally lower than previous years, has in fact acted as a catalyst to proving sustainability of the Cannabis arm of Nutritional Holdings which through the vision of the CEO has been largely instrumental in offsetting the debt of Nutritional Holdings and presenting a welcoming profit to all shareholders for the first time in several years.
2. Following our previously announced restructuring actions, we have substantially reduced our expenses and cash burn. Our marketing and R&D investments are being re-allocated to programs with high-return potential in order to drive sales.

We have already proven we can deliver three digit gross margin and are confident that we can surpass that level as we work toward higher capacity and economies of scale across our facilities as demand for our cannabis products continue to grow. In the meantime, we are focused on further optimizing our operating footprint through a full end-to-end strategy that looks at people, processes, technology and infrastructure that we believe will lead to best in class sustainable margins over time.

With the relaxation of the lockdown, Nutritional Holdings intends on implementing the following key strategic “Action Plan” as follows:

1. Global Kiosks in all regional markets across Africa with an internet driven backend support e-commerce and nationwide delivery of products;
2. Nutritional Foods to now supply Instant Meals to the Gulf Region through existing relationships held with the current Nutritional Holdings CEO via a contract exceeding R250 000 000,00 per annum;
3. Nutritional Holdings has secured sales avenues nationally for the Ultimate Immune Booster and has forecasted sales of (\$5M) +-R83 000 000,00 in the form of confirmed offtake sales agreements over the next 6 months apart from other CBD infused products;
4. Nutritional Holdings has developed a formula for medical cannabis edibles through Nutritional Foods factory that will infuse cannabis extract with Instant meals for use by Cancer / terminally ill patients. Nutritional Holdings has been in ongoing discussions with the Oncology Fraternity since March 2020 and will be rolling out sample product within the month of September 2020. Approximate market value is in the region of R500 000 000.00 per annum in Africa and R2 500 000 000.00 globally;
5. Nutritional Holdings has replanned and repositioned the product offering of Nutritional Foods and focused on the key lines so as to reduce cost and maximise output, focusing on the instant meals and instant rehydrate it will be in a position to supply Africa and the Middle East.

The CEO is currently reviewing its dividend policy to create an income stream for shareholders and stakeholders via dividends.

The industrial, medical and recreational potential of the cannabis plant is touted as being worth between \$150bn and \$250bn. South Africa could be a world leader in this emerging industry, and Nutritional Holdings under its new regime aims to be the market leader.

As per the State of the Nation Address, one particular point raised in the President’s address focused on the future of cannabis in South Africa with Ramaphosa said, "This year we will open up and regulate the commercial use of hemp products, providing opportunities for small-scale farmers; and formulate policy on the use of cannabis products for medicinal purposes, to build this industry in line with global trends. The regulatory steps will soon be announced by the relevant ministers".

This in essence enables Nutritional Holdings to broaden its product offering locally and with its massive head start with facility and marketing will ensure it obtains and maintains market leadership.

COVID-19

Whilst many industries were forced into temporary lockdown – The cannabis industry as a result of its medicinal benefits boomed as consumers utilised our Ultimate Immune Booster with cannabis extract as an aid in boosting their immunity.

To assist in bringing urgent relief to people most impacted by the COVID-19 pandemic, Nutritional Holding's staff and CEO contributed free bottles to the underprivileged of the Ultimate Immune Booster as well as certain PPE Items which had been personally funded. Management continues to manage the COVID-19 pandemic risk with no relaxation of any of its initial containment measures and protocols and through ongoing communication with and motivation of staff.

Nutritional Holdings is in the final stages of being issued a cannabis license to grow and cultivate high quality cannabis in South Africa via a subsidiary as soon as regulation permits.

The legal cannabis industry has transformed the crisis into an opportunity to demonstrate maturity, dismantle biases, and solidify its role in the economy, communities, and people's lives. While challenges persist, the last six weeks have represented a major leap forward for the sector that will help position it for long-term success in several ways.

Since 2007, the Israeli Ministry of Health has approved medical cannabis for palliative care in patients with cancer. This led to a prospective study analysing the safety and efficacy of cannabis in 2970 patients and the responses were overwhelmingly positive.

Ninety-six percent of patients who responded in the 6 month follow-up reported an improvement in their condition, 3.7% reported no change and 0.3% reported deterioration in their medical condition. Furthermore, while only 18.7% of patients described themselves as having good quality of life prior to cannabis treatment, 69.5% did six months later. Tellingly, just over a third of patients stopped using opioid pain medication.

The global legal marijuana market size is expected to reach USD 73.6 billion by 2027, according to a new report published by Grand View Research, Inc. It is anticipated to expand at a CAGR of 18.1% during the forecast period. Increasing legalization of cannabis for medical as well as adult-use is expected to promote growth.

On the basis of type, the medical segment held the leading revenue share of 71.0% in 2019, owing to the growing adoption of cannabis as a pharmaceutical product for treating severe medical conditions, such as cancer, arthritis, and Parkinson's disease and Alzheimer's disease among other neurological conditions. Moreover, increasing need for pain management therapies along with growing disease burden of chronic pain among elders is expected to boost the product demand.

Nutritional Holdings is currently portioning the Nutritional Foods factory to create a line of cannabis infused edibles starting with:

CBD infused powdered cereal in light, medium and high infusion doses for palliative care patients globally. Nutritional Holdings will be one of the first companies to introduce a range specifically for this purpose.

## CBD market for PET CARE

The global pet care market continues its seemingly never-ending rise.

It is projected that pet store sales will grow from around 19.5 billion U.S. dollars in 2018 to approximately 22.39 billion U.S. dollars by 2023; and according to a report by Grand View Research the global cannabis pet care market is expected to reach USD 202.6 billion by 2025. Rise in the adoption of pets and growing demand for premium care products are few factors expected to drive market growth.

With the proposed acquisition of Ukusekela Holdings, Nutritional Holdings will benefit from its upcoming release of CPD products for pet care. Samples of which have already been lab tested and are currently undergoing clinical trials for release in the next 2 to 4 months.

## CBD for KIDS

As studies continue to highlight its benefits, CBD oil for kids is giving parents plenty of hope in dealing with a range of childhood disorders. CBD has become popular for a wide range of health conditions, from pain to anxiety. Evidence through animal and human tests show that CBD for kids can be effective for certain types of seizures as well as chronic illnesses and overall wellness.

The World Health Organization released a report in 2017 stating that there are no notable health risks associated with regular use of CBD. Unlike CBD isolates, premium-grade products made from full-spectrum CBD will give your child the fullest benefit of hemp-based products. There are many CBD oil benefits for children that illustrate how effectively cannabinoids can help children. Numerous studies have been done to show that CBD can help children with rare types of epilepsy, including Lennox-Gastaut syndrome and Dravet syndrome, easing seizures significantly and calming the brain's overactivity. A study done in a paediatric neurology unit in Israel showed that CBD helped to improve communication problems, anxiety, and behavioural outbreaks. The same study also showed possible benefits for children with autism. It can help to ease pain and nausea for children with cancer, minimising the effects of chemo. CBD for kids with ADD can help to increase concentration while decreasing hyperactivity. CBD oil for kids with anxiety helps to promote a state of calm, treating depression, stress, insomnia, and other mood conditions naturally. Without the risk of addiction and overdose that often comes with benzodiazepines, CBD for kids can work for chronic illnesses as well as serving as a supplement for overall wellness for healthy children.

Nutritional Foods for the first time in several years has broken out of its cycle of negative performance and has shown staggering sustainable growth since December 2019.

During the year under review , The management and CEO have implemented a new turnaround strategy which has proven its effectivity even during times of uncertainty. In order to ensure sustainable growth, Nutritional Holdings Limited has instituted a pilot phased in approach on each forecasted cannabis infused product release which it will test the market on small, medium and large scale deployments and only advancing on confirmed sales in order to ensure that budgets are kept in line during the growth period.

It is anticipated that current market trends and the new business strategy implemented by the CEO and management team will result in operating margins exceeding expectations for the Instant Meal industry throughout Africa, Europe and The Gulf – Previously untapped markets under the groups previous operating strategy.

## **DIVIDEND POLICY**

The Company will not pay a dividend for the 2020 year.

## **BASIS OF PREPARATION**

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements except for the adoption of the new standards effective as disclosed in the First Time adoption note below.

The provisional condensed consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets where required or permitted by IFRS.

These provisional condensed consolidated financial statements incorporate the financial results of the Company and its subsidiaries.

The preparation of the provisional condensed consolidated financial statements for the year ended 29 February 2020 was supervised by Chief Executive Officer, Mr MT Azum. The directors take full responsibility for the preparation of these provisional condensed consolidated financial statements for the year ended 29 February 2020.

These condensed consolidated financial statements for the year ended 29 February 2020 have been reviewed by HLB CMA South Africa Inc, who expressed an unmodified review conclusion.

## **GOING CONCERN**

The Group incurred an operating profit after tax of R7,472 million for the year under review.

No additional loans were received and as assurance, the majority shareholder has provided a guarantee to fund any cashflow deficiencies which will be highly unlikely whilst Nutritional Holdings is implementing its new growth strategy.

## **BOARD CHANGES**

The following board changes have occurred during the year:

- Sheikh Khalfan Humaid Nasser appointed as an independent non-executive director with effect from 6 November 2019;
- Mr Mohamed Said Tina appointed as an independent non-executive director with effect from 6 November 2019;
- Mr Mohammad Tariq Azum appointed as Chief Executive Officer with effect from 6 November 2019;
- Thabo Mokgatla resigned as Chairman of the company but remains on the board as non-executive director with effect from 7 August 2020;
- Abdullah Khalfan Nasser appointed as Chairman with effect from 7 August 2020;
- Thuli Mashaba appointed as an Non-Executive Director with effect from 7 August 2020;
- Harry Monye resigned as Financial Director with effect from 29 July 2020; and
- Eshcol Compliance (Pty) Ltd has resigned as Company Secretary with effect from 30 July 2020.

## **REVIEW CONCLUSION**

HLB Certified Master Auditors (South Africa) Inc have reviewed this announcement and their unmodified review report is available for inspection at the Company's registered office.

Shareholders are advised that in order to obtain a full understanding of the nature of the auditor's work, they should obtain a copy of that report, together with the accompanying financial information, from the registered office of the Company.

By order of the Board  
31 August 2020

Mr MT Azum  
Chief Executive Officer

**CORPORATE INFORMATION**

Non-executive directors: Mr S.Tinawi, Ms T.Mashaba, Mr T.Mokhatlha,Mr O.Suping

Executive directors: Mr MT Azum, Mr K.Nasser

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Designated Adviser: Exchange Sponsors (2008) (Pty) Limited