

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 CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED  
 31 AUGUST 2016

Unaudited Condensed Consolidated Statement of Profit and Loss and Comprehensive Income for the period ended	Unaudited Six months 31 Aug 2016 R' 000	Unaudited Six months 31 Aug 2015 R' 000	Audited Year ended 29 Feb 2016 R' 000
Revenue	21,805	18,162	38,269
Cost of sales	(13,431)	(11,696)	(25,779)
Gross profit	8,374	6,466	12,490
Operating loss before interest and taxation	(1,599)	(2,109)	(4,693)
Finance costs	(692)	(244)	(710)
Loss before taxation	(2,291)	(2,353)	(5,403)
Taxation	(29)	23	(12)
Loss for the period	(2,320)	(2,330)	(5,415)
Other comprehensive income for the year net of taxation	-	-	(59)
Total comprehensive loss	(2,320)	(2,330)	(5,474)
Loss per share (cents) - basic and diluted	(0.07)	(0.08)	(0.16)
Headline loss per share (cents) - basic and diluted	(0.07)	(0.08)	(0.16)
Number of ordinary shares in issue (000)			
- issued net of treasury shares	3,407,368	3,407,368	3,407,368
- weighted-average	3,407,368	2,938,532	3,407,368
- Diluted weighted-average	3,458,193	2,938,532	3,458,193
Calculation of headline earnings (R' 000)			
Loss attributable to ordinary shareholders	(2,320)	(2,330)	(5,474)
Profit on disposal of			(19)

property, plant and equipment	-	-	
Headline loss attributable to ordinary shareholders	(2,320)	(2,330)	(5,493)
Unaudited Condensed Consolidated Statement of Financial Position for the period ended	Unaudited Six months 31 Aug 2016 R'000	Unaudited Six months 31 Aug 2015 R'000	Audited Year ended 29 Feb 2016 R'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	24,925	24,607	24,764
Intangibles	13,862	13,005	13,834
Deferred taxation	10,281	9,919	10,310
	49,068	47,531	48,908
Current assets			
Inventories	5,254	6,198	4,819
Trade and other receivables	6,209	4,842	4,758
Loans receivable	-	54	-
Bank balance and cash	89	93	67
	11,552	11,187	9,644
Non-current assets held for sale	-	-	20
<b>TOTAL ASSETS</b>	<b>60,620</b>	<b>58,718</b>	<b>58,572</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves			
Stated capital	145,750	145,750	145,750
Reserves	10,870	10,760	10,818
Accumulated loss	(118,678)	(113,273)	(116,358)
Total shareholders' funds	37,942	43,237	40,210
Non-current liabilities			
Interest-bearing borrowings	-	66	20
Loans from related parties	10,085	-	7,374
Deferred taxation	5,222	4,737	5,222
	15,307	4,803	12,616
Current liabilities			
Trade and other payables	4,721	4,986	4,499
Bank overdraft	2,340	3,605	920
Loans from related parties	250	2,020	250

Current portion of interest-bearing borrowings	60	67	77
	7,371	10,678	5,746
TOTAL EQUITY AND LIABILITIES	60,620	58,718	58,572
Net asset value per share (cents)	1.1	1.3	1.2

Unaudited Condensed Consolidated Statement of Cash Flows For the period ended	Unaudited Six months 31 Aug 2016 R'000	Unaudited Six months 31 Aug 2015 R'000	Audited Year ended 29 Feb 2016 R'000
Cash utilised by operations	(2,536)	(1,267)	(2,146)
Finance costs	(692)	(244)	(710)
Cash flows from operating activities	(3,228)	(1,511)	(2,856)
Cash flows from investing activities	(864)	(5,137)	(6,667)
Cash flows from financing activities	2,690	2,020	7,554
Net (decrease)increase in cash and cash equivalents	(1,402)	(4,628)	(1,969)
Cash and cash equivalents at beginning of period	(853)	1,116	1,116
Cash and cash equivalents at end of period	(2,255)	(3,512)	(853)

Unaudited Condensed Consolidated Statement of Changes in Equity for the period ended	Stated capital R'000	Trea- sury shares R'000	Share- based payment reserve R'000	Reval- uation reserve R'000	Accu- mulated loss R'000	Equity R'000
Balance at 28 February 2015 - audited	152,491	(6,741)	149	10,580	(110,943)	45,536
Total comprehensive loss for the period					(2,330)	(2,330)
Share-based payment reserve			31			31
Balance at 31 August 2015 - unaudited	152,491	(6,741)	180	10,580	(113,273)	43,237
Total comprehensive loss for the period				(59)	(3,085)	(3,144)
Share-based payment reserve			117			117

Balance at 29 February 2016 - audited	152,491	(6,741)	297	10,521	(116,358)	40,210
Total comprehensive loss for the period					(2,320)	(2,320)
Share-based payment			52			52
Balance at 31 August 2016 - unaudited	152,491	(6,741)	349	10,521	(118,678)	37,942

Unaudited Condensed Consolidated Group Segmental Analysis	Nutritional Foods	Pharmaceutical	Services	Consolidated
	R'000	R'000	R'000	R'000

*Business segments*

for the six months ended 31  
August 2016 - unaudited

Revenue from external sales	20,940	865	-	21,805
Segment Profit (Loss) before tax	121	102	(2,514)	(2,291)
Taxation				(29)
Loss for the period for the six months ended 31 August 2015 - unaudited				(2,320)

Revenue from external sales	17,701	658	-	18,359
Segment Profit (Loss) before tax	181	400	(2,934)	(2,353)
Taxation				23
Loss for the period for the year ended 29 February 2016 - audited				(2,330)

Revenue from external sales	37,070	1,199	-	38,269
Segment Profit (Loss) before tax	(728)	722	(5,397)	(5,403)
Taxation				(12)
Loss for the year				(5,415)

COMMENTARY

Basis of presentation

The unaudited condensed consolidated interim financial results for the period ended 31 August 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the presentation and disclosure requirements of IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the requirements of the Companies Act, No 71 of 2008. The results have been prepared in terms of IFRS on the historical cost basis and are consistent, in all material respects, with the accounting policies and methods applied in the previous corresponding period and the previous annual financial statements, except

for the measurement of land and buildings and certain financial instruments which are measured at fair value and the adoption, revised or new standards and interpretations. The aggregate effect of these accounting changes in respect of the period ended 31 August 2016 is nil.

The unaudited condensed consolidated financial results have been prepared under the supervision of the Chief Financial Officer, RS Etchells.

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

#### Nature of business

For management purposes the Group is organized into three major operating divisions, namely Nutritional Foods, Pharmaceuticals and Services. These divisions are the basis on which the Group reports its primary segment information.

#### Nutritional Foods (NF)

NF, which is located in Klerksdorp, operates a dry food manufacturing facility. The company formulates, manufactures and sells a large range of fortified basic dry food products for the LSM 3-6 market. In addition it has a wide basket of products serving the industrial catering sector throughout Southern Africa.

#### Impilo Drugs 1966 (ID)

ID markets a range of basic family health care products via a licensing agreement with Avid Brands (Pty) Ltd (AVID). In terms of the agreement AVID manufacture, market and distribute the products directly to pharmacies for their own risk and reward. ID is paid a royalty fee of 10% of the net invoiced value of all sales. The Company's range of products includes registered medicines with the South African Medicines Control Council as well as certain nutraceutical complimentary medicines.

#### Impilo Health Solutions (IHS)

IHS markets and distributes a range of "chlorine free" water purification products under licence from the manufacturer ACN Chemicals UK Limited. These products include "point of use" water purification drops called *OneDrop* as well as *BacSan*, an industrial application for use by municipalities and other bulk water suppliers.

#### OVERVIEW

##### Nutritional Foods Division

The first six months of the year have seen management focus on building relationships with key players in the feeding scheme space with specific emphasis on the National Schools Nutritional Program (NSNP). This process has been extremely time consuming. Slow but steady progress is being made in the sector. Management continue to engage with potential service providers and government departments but are of the opinion that revenue streams and gross margins from this market sector will remain depressed in the short to medium term.

During the period March to August 2016 the company has struggled to contain

the cost of raw material input cost, specifically the record high cost of raw maize and sugar. These two products constitute 80% of the material input cost of all products manufactured by NF. This has had a serious effect on gross margins.

#### Impilo Drugs Division

As reported in the Financial Year End results of the previous period ended 28 February 2015 the Company entered into a long term royalty agreement with Avid Brands whereby AVID took over complete control of the manufacture, marketing and sale of its scheduled medicines and range of complementary medicine. Per the SENS announcement released on 26th September 2016, shareholders were advised that management had resolved to sell the assets and intellectual property rights of ID to AVID for R5m. The proceeds from the sale to be used to reduce debt and provide working capital for the Nutritional Foods division.

#### Impilo Health Solutions Division

The Company continues to make inroads within the mainstream retail FMCG market to distribute a range of chlorine free water purification solutions. Progress has been slower than anticipated and management do not foresee any significant increase in revenue streams from the sale of OneDrop/Bacsan during the balance of the current financial year as it continues to invest in marketing the products to potential governmental and FMCG customers.

#### FINANCIAL HIGHLIGHTS

Group Turnover increased by R2,643 (14.5%) to R 20,805 million compared to R18,162 million in the previous corresponding period. The headline loss for the period under review remained static at R2,320 million compared to a loss of R2,330 million in the previous corresponding period, with both the loss per share and Headline loss per share reducing from a loss of 0,8 cents in the previous period to 0,7 cents in the current year.

Other than certain related parties/shareholders loans secured via a general notarial bond, the Group has no long-term debt with all assets on it's balance sheet remaining unencumbered with the exception of a covering bond held by the Group's bankers over the property as security for certain overdraft facilities.

#### Events after the reporting period

Shareholders are referred to the SENS announcement released on the 26th September 2016 relating to the sale of assets and intellectual property owned by Impilo Drugs (1966) Proprietary Limited.

#### 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 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.

#### Going concern

Shareholders are advised that the unaudited condensed consolidated interim results for the six months ended 31 August 2016 have been prepared on the going concern concept.

#### Changes to the Group's board

Mr Ian Murgatroyd was appointed as a director of the Company effective 25 April 2016. Following management's decision not to proceed with the acquisition of Kairos Nutrition (Proprietary) Limited, Mr Murgatroyd resigned as a director of the Company effective 8 August 2016.

#### Dividends

No dividends were declared for the six months ended 31 August 2016.

On behalf of the board

T.V.Mokgatlha

*Chief Executive Officer*

Umhlanga Rocks

3<sup>rd</sup> November 2016

#### Directors

TV Mokgatlha (Chief Executive Officer)

RS Etchells (Group Financial Director & Chief Operating Officer)

C Kapnias (Independent Non-executive)

AR Pinfold (Non-executive)

GR Wambach (Independent Non-executive Chairman)

#### Registered office

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#### Designated Advisor

PSG Capital Proprietary Limited

#### Transfer secretaries

Trifecta Capital Services Proprietary Limited

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