

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 2017

Unaudited Condensed Consolidated Statement of Profit and Loss and Comprehensive Income for the period ended	Unaudited Six months 31 Aug 2017 R' 000	Unaudited Six months 31 Aug 2016 R' 000	Audited Year ended 28 Feb 2017 R' 000
Revenue	22,462	21,805	43,215
Operating loss before interest and taxation	(2,275)	(1,599)	(14,870)
Finance costs	(701)	(692)	(1,336)
Loss before taxation	(2,976)	(2,291)	(16,206)
Taxation	(2,726)	(29)	(825)
Loss for the period	(5,702)	(2,320)	(17,031)
Other comprehensive income for the year net of taxation	-	-	-
Total comprehensive loss	(5,702)	(2,320)	(17,031)
Loss per share (cents) - basic and diluted	(0.16)	(0.07)	(0.49)
Headline loss per share (cents) - basic and diluted	(0.16)	(0.07)	(0.24)
Number of ordinary shares in issue (000)			
- issued net of treasury shares	3,653,368	3,407,368	3,653,368
- weighted-average	3,653,368	3,407,368	3,505,231
- Diluted weighted-average	3,667,633	3,458,193	3,521,251
Calculation of headline earnings (R' 000)			
Loss attributable to ordinary shareholders	(5,702)	(2,320)	(17,031)
Loss on disposal of intangible assets	-	-	7,633
Tax effect of adjustments			908

Headline loss attributable to ordinary shareholders	(5,702)	(2,320)	(8,490)
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Unaudited Condensed Consolidated

Statement of Financial Position for the period ended	Unaudited Six months 31 Aug 2017 R' 000	Unaudited Six months 31 Aug 2016 R' 000	Audited Year ended 28 Feb 2017 R' 000
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ASSETS

Non-current assets

Property, plant and equipment	24,232	24,925	24,730
Intangibles	1,675	13,862	1,762
Deferred taxation	6,902	10,281	9,629
	32,809	49,068	36,121

Current assets

Inventories	6,559	5,254	6,375
Trade and other receivables	8,659	6,209	7,569
Bank balance and cash	57	89	91
	15,275	11,552	14,035

TOTAL ASSETS	48,084	60,620	50,156
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EQUITY AND LIABILITIES

Capital and reserves

Stated capital	150,086	145,750	150,086
Reserves	10,949	10,870	10,918
Accumulated loss	(139,091)	(118,678)	(133,389)
Total shareholders' funds	21,944	37,942	27,615

Non-current liabilities

Loans from related parties	8,484	10,085	7,813
Secured loan	2,313		2,192
Deferred taxation	5,366	5,222	5,366
	16,163	15,307	15,371

Current liabilities

Trade and other payables	7,293	4,721	5,442
Bank overdraft	2,684	2,340	1,518
Loans from related parties		250	190
Current portion of interest-bearing borrowings		60	20
	9,977	7,371	7,170

TOTAL EQUITY AND LIABILITIES	48,084	60,620	50,156
Net asset value per share (cents)	0.6	1.1	0.8

Unaudited Condensed Consolidated Statement of Cash Flows For the period ended	Unaudited Six months 31 Aug 2017 R' 000	Unaudited Six months 31 Aug 2016 R' 000	Audited Year ended 28 Feb 2017 R' 000
Cash utilised by operations	(872)	(2,536)	(9,130)
Finance costs	(701)	(692)	(1,336)
Cash flows from operating activities	(1,573)	(3,228)	(10,466)
Cash flows from investing activities	(89)	(864)	3,062
Cash flows from financing activities	461	2,690	6,830
Net (decrease)increase in cash and cash equivalents	(1,201)	(1,402)	(574)
Cash and cash equivalents at beginning of period	(1,427)	(853)	(853)
Cash and cash equivalents at end of period	(2,628)	(2,255)	(1,427)

Unaudited Condensed Consolidated Statement of Changes in Equity for the period ended 31 August 2017	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 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 reserve			52			52
Balance at 31 August 2016 - unaudited	152,491	(6,741)	349	10,521	(118,678)	37,942
Total comprehensive loss for the period					(14,711)	(14,711)
Share-based payment reserve			48			48
Issue of shares	4,336					4,336

Balance at 28 February 2017 - audited	156,827	(6,741)	397	10,521	(133,389)	27,615
Total comprehensive loss for the period					(5,702)	(5,702)
Share-based payment			31			31
Balance at 31 August 2017 - unaudited	156,827	(6,741)	428	10,521	(139,091)	21,944

Unaudited Condensed Consolidated Group Segmental Analysis	Foods	Healthcare Solutions	Services	Consolidated
	R'000	R'000	R'000	R'000
<i>Business segments</i>				
for the six months ended 31 August 2017 - unaudited				
Revenue from external sales	22,043	419	-	22,462
Segment Profit (Loss) before tax	(1,140)	(213)	(1,623)	(2,976)
Taxation				(2,726)
Loss for the period for the six months ended 31 August 2016 - unaudited				(5,702)
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 year ended 29 February 2017 - audited				(2,320)
Revenue from external sales	42,162	1,053	-	43,215
Segment Profit (Loss) before tax	(2,363)	4,362	(18,205)	(16,206)
Taxation				(825)
Loss for the year				(17,031)

COMMENTARY

Basis of presentation

The unaudited, unreviewed condensed interim financial results for the period ended 31 August 2017 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 Reporting Pronouncements as issued by the Financial Reporting Accountants 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, except for the measurement of land and buildings and certain financial instruments which are measured at fair value and are consistent, in all material respects, with the accounting policies and methods applied in the previous annual financial statements.

The unaudited, unreviewed condensed interim financial results have been prepared under the supervision of the Group Financial Director, Mr RS Etchells.

Neither these unaudited, unreviewed condensed 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 Foods, Healthcare Solutions and Services. These divisions are the basis on which the Group reports its primary segment information. Shareholders are referred to the SENS announcements released on the 30 August 2016 and 7 November 2016, wherein Shareholders were advised of the Board's decision to diversify the Company's exposure to include investments outside the food manufacturing sector to that of industrial, manufacturing and renewable energy. During the period under review little if any progress has been made in this regard. Management continue to engage with interested parties and will update shareholders in due course.

Foods (NF)

NF operates a dry food manufacturing factory in Klerksdorp, North West Province. The company formulates, manufactures and sells a large range of staple dry food products. The company's main customers being the Department of Basic Education, via the National Schools Nutrition Program (NSNP), industrial catering outlets as well as independent wholesalers for their LSM 3-6 customer base.

Healthcare Solutions (IHS)

IHS markets and distributes a range of "chlorine free" water purification products under license 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

Foods Division

During the period under review NF continued to target growth via the introduction of new products to its basket of staple food products. However despite management's best efforts the constrained cash flow position of the company continues to hamper progress. This fact together with pressure on gross margins resulted in the foods division making an operating loss for the period. It should be noted that without a significant cash injection allowing management at the factory to purchase raw materials, used in the manufacture of it's products, at cost effective prices, pressure on gross margins will continue.

The new BBEE scorecard system introduced in 2016 has resulted in NF's BBEE rating dropping from a level 2 supplier to level 6. This has proved to be a major obstacle with regards to the company's customers in the mining sector as well as government departments.

Healthcare Solutions Division

Both *OneDrop* and *BacSan* are imported in bulk format from Europe, which necessitates a protracted cash flow cycle from placement of orders with the supplier, shipping to Durban, bottling and the final sale of the finished product to customers, resulting in further pressure on the cash resources of the Group. Despite this the company has secured listings with 3 major retailers for its "point of use" applications but still struggles to find traction in the larger industrial market sector, where chlorine based products dominate large scale water purification. Management are of the opinion that until such time as government and municipalities undergo a mindset change with a bias towards the utilization of more environmentally friendly products in mainstream water purification, volumes will continue to remain small.

FINANCIAL HIGHLIGHTS

Group Turnover increased to R22,462 million compared to R21,805 million in the previous corresponding period. The Headline loss increased by 145.8% for the period under review, to R5,702 million after the write-off of deferred tax amounting to R2,786 million as a result of the sale of Impilo Drugs in the previous financial year, compared to a loss of R2,320 million in the previous corresponding period. Both the loss per share and headline loss per share increased by 128.6% for the period under review, to 0,16 cents compared a loss of 0,7 cents in the previous corresponding period. It should be noted that the deferred tax write-off has had the effect of increasing the headline loss by 95.6% during the period under review and is a once off, non-recurring item.

The Board considers it pertinent to bring to the attention of shareholders that the Company has continued to generate operating losses in the current period which has had a further negative impact on the cash resources available to the Company.

Accordingly, shareholders are advised that the Board is busy with discussions relating to all options available to re-capitalize the Company and will revert to shareholders in due course, once progress has been made.

DEFERRED TAX

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. One of the companies in the Group has changed from a company that earned a taxable income and it is probable that taxable profit will be available in future in order to utilise the assessed losses available, to a company where the probability of future taxable profit is no longer there. As a result there is a reversal of R2,786 million of the deferred tax assets in the current period.

GOING CONCERN

As stated in the commentary above the Company has continued to make operating losses. These losses have placed further negative stress on the Company's cash flow situation and as such raised certain issues regarding the going concern assumption. Management has been forced to review the current status of the Company's disposable cash resources as well as its commitments to repay its overdraft facilities and certain shareholders loans. The Company's bankers continue to support the operations of its major subsidiary, being Nutritional Foods, but are reducing NUT's - the holding company's - facilities on a monthly basis. Management has been able to accommodate the reduction in NUT's overdraft facilities via own funding but the need to repay the shareholders and unsecured loans of R10,797m at the end of March 2018 is of concern. Management is of the opinion that the substantial doubt surrounding its ability to fund its monthly operations as well as the re-negotiation of the shareholders loans due on the 31st of March 2018 place the going concern assumption in doubt.

Accordingly shareholders are advised that management are perusing all avenues including the sale of its major asset, Nutritional Foods, to raise capital in order to meeting the company's financial obligations as and when they fall due. The outcome of these discussions, whilst ongoing, are unknown at this point in time.

Shareholders are advised that the unaudited condensed consolidated interim results for the six months ended 31 August 2017 have been prepared on the going concern concept and do not reflect any effects of the substantial uncertainties over the going concern assumption. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Changes to the Group's board

There were no changes to the board during the period.

Dividends

No dividends were declared for the six months ended 31 August 2017.

On behalf of the board
T.V.Mokgatlha
Chief Executive Officer

Umhlanga Rocks
20 October 2017

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)

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Designated Advisor
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Terbium Financial Services Proprietary Limited
Beacon House, 13 Beacon Road, Florida-North, 1709

Company secretary
JA Etchells CA(SA)