

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

PROVISIONAL REVIEWED CONSOLIDATED FINANCIAL RESULTS FOR THE
 YEAR ENDED 28 FEBRUARY 2018

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE
 INCOME

Figures in R thousands	Reviewed year ended 28 February 2018	Audited year ended 28 February 2017
Revenue	42 496	43 215
Gross profit	12 034	16 389
Operating expenses	(19 297)	(23 665)
Operating loss	(7 263)	(7 276)
Other income	51	39
Loss on disposal of subsidiary	(2 484)	-
Loss on disposal of intangible assets	-	(7 633)
Operating loss before interest and taxation	(9 696)	(14 870)
Net interest expense	(1 535)	(1 336)
Loss before taxation	(11 231)	(16 206)
Taxation - deferred	(2 551)	(825)
Loss for the year	(13 782)	(17 031)
Other comprehensive income for the year net of taxation	-	-
Total comprehensive loss	(13 782)	(17 031)
Loss per share (cents) - basic and diluted	(0.38)	(0.49)
Headline loss per share (cents) - basic and diluted	(0.31)	(0.24)
Number of ordinary shares in issue (000)		
- issued net of treasury shares	3 653 368	3 653 368

- weighted-average	3 653 368	3 505 231
- Diluted weighted-average	3 661 146	3 521 251
Calculation of headline loss (R'000)		
Loss attributable to ordinary shareholders	(13 782)	(17 031)
Loss on disposal of intangible assets	-	7 633
Loss on disposal of subsidiary	2 484	
Tax effect of adjustments		908
Headline loss attributable to ordinary shareholders	(11 298)	(8 490)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in R thousands	Reviewed year ended 28 February 2018	Audited year ended 28 February 2017
ASSETS		
Non-current assets		
Property, plant and equipment	23 730	24 730
Intangible assets	1 581	1 762
Deferred taxation	5 568	9 629
Total non-current assets	30 879	36 121
Current assets		
Inventories	3 828	6 375
Trade and other receivables	4 390	7 569
Cash and cash equivalents	21	91
Total current assets	8 239	14 035
TOTAL ASSETS	39 118	50 156
EQUITY AND LIABILITIES		
Stated capital	150 086	150 086
Reserves	10 939	10 918
Accumulated loss	(147 171)	(133 389)
Total shareholders' funds	13 854	27 615
Non-current liabilities		
Loans from related party	8 910	7 813
Secured loan	-	2 192
Deferred taxation	5 568	5 366
Total non-current liabilities	14 478	15 371

Current liabilities		
Trade and other payables	3 968	5 442
Loans from related parties	2 551	190
Secured loan	2 432	-
Bank overdraft	1 835	1 518
Instalment sale creditors	-	20
Total current liabilities	10 786	7 170
Total liabilities	25 264	22 541
TOTAL EQUITY AND LIABILITIES	39 118	50 156
Net asset value per share (cents)	0.4	0.8

CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed year ended 28 February 2018	Audited year ended 28 February 2017
Figures in R thousands		
Cash used in operations	(4 370)	(9 130)
Net interest expense	(1 535)	(1 336)
Cash flows from operating activities	(5 905)	(10 466)
Cash flows from investing activities		
Purchase of property, plant and equipment	(608)	(1 396)
Purchase of intangible assets	(323)	(242)
Proceeds on sale of intangible assets	-	4 700
Disposal of subsidiary	2 771	-
Cash flows from investing activities	1 840	3 062
Cash flows from financing activities		
Proceeds on share issue	-	4 336
Advances on related party loans	3 458	379
Advances on secured loans	240	2 192
Repayment of instalment sale creditors	(20)	(77)
Cash flows from financing activities	3 678	6 830
Net decrease in cash and cash equivalents	(387)	(574)

Cash and cash equivalents at beginning of year	(1 427)	(853)
Cash and cash equivalents at end of year	(1 814)	(1 427)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2018

Figures in R thousands	Stated capital	Treasury shares	Total share capital
Balance at 29 February 2016 - audited	152 491	(6 741)	145 750
Issue of shares	4 336	-	4 336
Share-based payment reserve	-	-	-
Total comprehensive loss for the year	-	-	-
Balance at 28 February 2017 - audited	156 827	(6 741)	150 086
Issue of shares	-	-	-
Share-based payment reserve	-	-	-
Total comprehensive loss for the year	-	-	-
Balance at 28 February 2018 - reviewed	156 827	(6 741)	150 086

Figures in R thousands	Share-based payment reserve	Revaluation reserve	Accumulated loss
Balance at 29 February 2016 - audited	297	10 521	(116 358)
Issue of shares	-	-	-
Share-based payment reserve	100	-	-
Total comprehensive loss for the year	-	-	(17 031)
Balance at 28 February 2017 - audited	397	10 521	(133 389)
Issue of shares	-	-	-
Share-based payment reserve	21	-	-
Total comprehensive loss for the year	-	-	(13 782)
Balance at 28 February 2018 - reviewed	418	10 521	(147 171)

	Total equity
Figures in R thousands	
Balance at 29 February 2016 - audited	40 210
Issue of shares	4 336
Share-based payment reserve	100
Total comprehensive loss for the year	(17 031)
Balance at 28 February 2017 - audited	27 615
Issue of shares	-
Share-based payment reserve	21
Total comprehensive loss for the year	(13 782)
Balance at 28 February 2018 - reviewed	13 854

GROUP SEGMENTAL ANALYSIS

Business Segments	Nutritional Foods	Health Solutions	Services	Consolidated
R'000				
For the year ended 28 February 2018 - reviewed				
Revenue from external sales	41 721	775	-	42 496
Revenue from internal sales	-	-	513	513
Segment (loss)/profit before tax	(6 709)	(838)	(3 728)	(11 231)
Taxation				(2 551)
Loss for the year				(13 782)
Total assets	38 641	2	475	39 118
For the year ended 28				

February 2017 -
audited

Revenue from external sales	42 162	1 053	-	43 215
Revenue from internal sales	-	-	1 250	1 250
Segment (loss) profit before tax	(2 363)	4 362	(18 205)	(16 206)
Taxation				(825)
Loss for the year				(17 031)
Total assets	41 806	7 921	429	50 156

For management purposes the Group was organised into three major operating divisions, namely Foods, Healthcare solutions and Services. These divisions are the basis on which the Company reports its primary segment information. Impilo Health Solutions Pty Ltd that made up the Healthcare segment was sold on 23 February 2018. Going forward the Group will only have two segments namely Foods and Services.

The Foods division involves the manufacture of staple dry foods for the lower LSM and mass feeding markets. The Healthcare Solutions division involved the supply of a range of chlorine free water purification products. The Services division involves the providing of administration and management services.

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

BASIS OF PRESENTATION

The financial results for the year ended 28 February 2018 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 Standards Council, the Listing 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 corresponding

period. The provisional reviewed financial results have been prepared under the supervision of RS Etchells, in his capacity as Chief Financial Officer.

NATURE OF BUSINESS

The Group's primary business focus during the year was to manufacture and market staple dry food products to the lower LSM market sector as well as mass feeding schemes. The water purification business was sold in February 2018.

OVERVIEW

During the course of the year under review, the Board of Directors resolved to cement its position as a bulk manufacturer of staple dry foods supplying the lower LSM and mass feeding sectors. To this end the Directors elected to dispose of the Health Solutions division to raise working capital for the Group. The proposed acquisition of Velani Strategic Solutions ("VSS") was cancelled during the year under review as it became apparent that the profit warranty issued by VSS would not be attained.

Nutritional Foods continues to underperform due to lower volumes through the factory as well as pressure on gross margins. Increasing the tonnage put through the factory remained a major challenge during the year under review. Management are acutely aware of this issue and are constantly looking for potential off-take contracts. It should be noted that in December 2017 management successfully negotiated a 3-year manufacturing contract with a supplier to the National Department of Health for the supply of a fortified porridge. This should result in a significant increase in throughput.

The Board has been in discussions with a potential new investor who will be able to secure off-take agreements for the factory as well as inject the necessary working capital to be able to fund such increased tonnage through the Klerksdorp factory. These discussions have been finalized, more details of which are set out below.

Cash flows remain a major challenge requiring tight control. To this end the Board is considering all options on the table including a possible Rights Issue.

FINANCIAL PERFORMANCE

Group Turnover of R 42,496 million, 1.7% down on the R 43,215 million of the previous corresponding period. The headline loss increased by 28%, largely as a result of the reversal of

the deferred tax asset raised in previous years on the tax loss for Functional Nutraceuticals Pty Ltd amounting to R2.795 million.

GOING CONCERN

The Group incurred an operating loss for the year of R7.263 million (2017 R7.276 million)

The Group's total assets exceed its total liabilities by R13.854 million (2017 R27.615) despite having an accumulated loss of R147.171 million (2017 R133.389 million).

The Group continued to incur losses as a result of the current depressed market conditions within the lower LSM market segment. This fact coupled with the lack of adequate cash resources continues to hamper the Group's turnaround plan.

The directors have taken the following steps in assessing the group's ability to continue as a going concern:

- The directors took the decision to sell Impilo Health Solutions during the current financial year. This was done in order to raise much needed capital to sustain the on-going cash flow requirements of the Group, whilst they continued to engage with the Group's lenders and potential investors.

- The directors have been in discussions with a third party to underwrite a Claw Back-Right Issue to raise R10 million. These discussions have been finalised and terms have been agreed with the third party to fully underwrite the Claw-Back Right Issue.

The funds raised from the Claw-Back Right Issue will be used to settle a portion of debt, circa R2.5m, with the balance being used to fund the working capital requirements of the Group.

- The directors have engaged with the providers of certain loans to the Group. An agreement has been reached with one of lenders to extend their loan of circa R8.9 million for a period of 36 months. The remaining loan of circa R2.4 million will be repaid utilising a new medium term loan negotiated with a third party lender. This loan is disclosed as a current liability but is to be replaced as a medium term loan subsequent to the year end.

- Management has successfully negotiated a manufacturing contract with a supplier to the National Department of Health which should result in a significant increase in throughput at its Klerksdorp factory. It is envisaged that this increase in

tonnage pushed through the factory and result in the Group returning to profitability.

Given all of the above, the directors evaluate that the Group has sufficient cash resources to meet its obligations as they fall due, as such the financial statements have been prepared on the going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities and commitments will occur in the ordinary course of business.

DIVIDEND

No dividend has been declared for the year.

REVIEW CONCLUSION

Grant Thornton Durban has reviewed the annual financial statements for the year ended 28 February 2018 and their unmodified report is available for inspection at the Company's registered office.

The auditor's reviewed report does not necessarily cover all of the information contained in this announcement/financial report. Shareholders are therefore 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.

CHANGES TO THE GROUP'S BOARD

There were no changes to the Board during the year.

On behalf of the Board

TV Mokgatlha

Chief Executive Officer

Umhlanga Rocks

30 May 2018

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Auditors

Grant Thornton (Durban)

Designated advisors

PSG Capital Proprietary Limited

Transfer secretaries:

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

Company secretary

JA Etchells CA(SA)

Directors:

RS Etchells (Chief Financial Officer), C Kapnias (Non-
Executive), TV Mokgatlha (Chief Executive Officer), AR Pinfold
(Non-Executive), GR Wambach (Non-Executive Chairman)