



**NUTRITIONAL HOLDINGS**  
**A JSE LISTED COMPANY**

REGISTRATION NUMBER: 2004/002282/06  
(incorporate In the Republic of South Africa)  
("THE GROUP")  
SHARE CODE: NUT  
ISIN CODEL: ZAE0001564485

**UNAUDITED CONDENSED  
CONSOLIDATED  
INTERIM RESULTS**

**FOR THE SIX MONTHS ENDED  
31 AUGUST 2020**

## INTRODUCTION

Nutritional Holdings is pleased to report its results for the 6-months ended 31 August 2020 (“Interim Reporting period”). The Company is proud to present to its shareholders significantly improved financial results in a period of substantial volatility.

## OVERVIEW

Nutritional Holdings is pleased to announce an increase of 537% on operating profit before interest and tax for the six months ended 31 March 2020 to R16.4 million profit, compared to the R3.7million loss generated in the previous comparable period.

The critical indicators continue moving in the right direction and the company is now poised for exponential growth.

Nutritional Holdings is organized into two major operating activities, namely Foods and Cannabis.

### **Financial highlights:**

- **Group turnover improved by 102% to R33.724 million compared to R16.706 million in the previous corresponding.**
- **Operating profit before interest and tax improved by 537% to R16.474 million compared to a loss of R3.773 million in the previous corresponding.**
- **Net profit improved by 325% to R10.632 million compared to a loss of R4.730 million in the previous corresponding.**
- **The Headline Earnings per share (“HEPS”) improved by 325% to 0.08 cents per share compared to a loss of 0.03 cent per share in the previous corresponding.**

A pleasing recovery in financial performance reflects progress in the turnaround strategy, and includes the reinvigoration over the past 12 month attributed to the entrance into the Cannabis industry allowing Nutritional Holdings to thrive in this challenging environment. This was supported by the efficient execution of the Ukusekela Management contract that has had a strong performance with both operational and financial results for the six months despite the challenges from the Covid-19 pandemic.

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 vision in the acquisition of Ukusekela.

### **Ukusekela Holdings:**

The now concluded purchase of Ukusekela Holdings, which already proved to be a positive turning point for Nutritional Holdings as Ukusekela demonstrated staggering performance as a result of the interim management agreement which has borne fruit and bodes well for future quarter on quarter growth and expected positive cash flows. The conclusion of the acquisition transaction transpired on 1 October 2020.

Ukusekela Holdings has various licenses in the cannabis space.

Ukusekela holds an offtake agreement with one of the largest cannabis pharmaceutical companies based in Europe, which has a license to distribute CBD Oils and infused products in more than 15 countries.

Ukusekela has further created a footprint in the highly sought-after Japanese market and the off take with the influential Japanese player is only the tip of the iceberg in the virgin Asian market.

Ukusekela is a solid business with significant assets and the next quarter will demonstrate the culmination of the immense effort by the management in order to create shareholder value to the extent that the company can look forward to unprecedented growth.

It is well placed to do so given that it is one of the largest cannabis companies in sub-Saharan Africa especially considering that it plans to pursue the parent and child CBD market with products for overall wellness, mental alertness and improved nutrition with dietary boosters.

### **Nutritional Foods:**

Through the carefully structured strategic plan implemented by the CEO of Nutritional Holdings, Nutritional Foods offerings are being refocused and repositioned on its key lines to reduce costs and maximize output, concentrating on the instant meals and instant rehydrate. The current Nutritional Foods market has taken strain due to schools being closed for most of the academic year therefore the CEO of Nutritional Holdings has implemented a turnaround strategy which has attracted the interest of a UAE consortium who have taken notice of the world-wide impact of the ease of use of instant high energy meals and instant rehydrate which resulted in negotiations to supply into the following sectors which we envisage to have these agreements concluded and supply to commence within the next quarter:

**Instant High Energy Meal:**

- Schools
- Correctional Facilities
- National Army Base
- Sporting Facilities
- NGOs and NPOS (Who are currently funded throughout the world via the UAE)

**Instant Rehydrate**

- Camping and Outdoor Activity Sector
- Sporting
- Remote Medical Aid Kits
- National Army Base
- NGOS and NPOS

Announcements in respect of signed agreements and commencement of supply will be released in due course.

Ukusekela Holdings together with Nutritional Holdings have already commence infusions into edibles which tests are currently underway for product release in the next quarter wherein the Nutritional Foods factory will be utilised for the manufacture of these edibles.

With the combination of the above and with Nutritional Holdings entering into phase 2 of its 5-year plan, it will become the largest supplier of the above-mentioned instant meals on the continent.

**Covid-19:**

Of paramount importance during this time was the protection of our employees and support for all communities. We implemented widespread education, testing, counselling, and safety measures across all jurisdictions to protect staff from the pandemic, with the wellness of all staff members having been assessed to date. To assist in bringing urgent relief to people most impacted by the COVID-19 pandemic risk, Nutritional Holding's staff contributed free bottles to the underprivileged of the Ultimate Immune Booster as well as certain personal protective equipment ("PPE") items. Management continues to manage COVID-19 pandemic risks with no relaxation of any of its initial containment measures and protocols and through ongoing communication with and motivation of staff.

Interruptions because 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 providing sustainability of the Cannabis arm of Nutritional Holdings which has been largely instrumental in creating good overall business momentum, which reflects continued progress with the business growth strategy.

## **Governance:**

Nutritional Holdings has made pleasing progress in recent times to elevate governance and accountability within the business and to shift the culture. The Group has also strengthened financial discipline, oversight and assurance with the appointment of key positions such as the Chief Financial Officer, Company Secretary and strategic Board positions.

CBD Infused powered 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.

## **Dividend policy:**

The Board is currently reviewing its dividend policy to create an income stream for shareholders and stakeholders. The current share buyback is the first step in this progress.

## **Going forward:**

Good progress has been made to allow Nutritional Holdings to become the largest player in the highly regulated cannabis industry in South Africa.

Nutritional Holdings continues to lay a solid foundation for a particular building block approach, to drive synergies and enhance value creation. Strategic transformational partnerships, while decelerated by the pandemic, continue to progress as is evident by the progress made post the review period.

1. In September 2020, Ukusekela had signed an agreement for the supply of the “Ultimate Immune Booster” to a leading manufacturing and distribution company in Germany. The contract spans over three years and is scheduled to begin in the middle of October 2020 with an initial volume of 50,000 units per month for the first year which will ultimately grow to 200,000 units per month by year three, the total contract value in excess of R1 billion.
2. In November 2020, Nutritional Holdings in conjunction with Ukusekela Holdings have concluded an offtake agreement of USD 2 million per month for 24 months equating to circa R780 million over the next two years.
3. Furthermore, in November 2020, Nutritional Holdings acquired Indiva Pharma LLC, a major CO2 Cannabis extraction company, which is amongst the few facilities in Africa using Co2 capabilities to extract cannabinoids from plant employing high temperatures and pressures, without compromising the natural compound of Cannabis.

None of these major milestones are included in the interim results and the company is confident that the second half of the financial year will deliver stronger performance with the full integration of the acquisition into the operations as management continue to

streamline and work toward higher capacity and economies of scale as demand for cannabis products continue to grow.

One of the most fundamental requirements for resetting Nutritional Holdings path to sustainable prosperity is to improve the cash generation capabilities. Stringent milestones have been developed and agreed to achieve this objective and is expected to be realized from the export of sales with lucrative margins.

Management is encouraged that the extensive initiatives that we have implemented are beginning to translate into improved financial performance and determined to continue to lay the groundwork for Nutritional Holdings successful return to sustainable value creation for our stakeholders.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Six Months 31 Aug 2020  R'000	Unaudited Six Months 31 Aug 2019  R'000	Audited Year ended 29 Feb 2020  R'000
Revenue	33 724	16 706	40 829
Operating profit/(loss) before interest and taxation	16 476	(3 773)	1 285
Net finance cost	(701)	(957)	(1 842)
Profit/(Loss) before taxation	15 774	(4 730)	(557)
Taxation	(5 142)	-	6 498
Profit/(Loss) for the period	10 632	(4 730)	5 941
Other comprehensive income for the year net of taxation net of taxation	-	-	-
<b>Total comprehensive income (loss) for the year / period</b>	<b>10 632</b>	<b>(4 730)</b>	<b>5 941</b>
<b>Profit / (loss) to attributable:</b>			
- Ordinary shareholders	10 632	(4 730)	5 941
Earnings per share (cents) - basic and diluted	0,08	(0,03)	0,04

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME...CONTINUE**

	Unaudited Six Months 31 Aug 2020  R'000	Unaudited Six Months 31 Aug 2019  R'000	Audited Year ended 29 Feb 2020  R'000
Headline earnings per share (cents) - basic and diluted	0,08	(0,03)	0,04
<b>Number of ordinary shares in issue (000)</b>			
- issued net of treasury shares	13 653 368	13 653 368	13 653 368
- weighted-average	13 653 368	13 653 368	13 653 368
- Diluted weighted-average	13 653 368	13 653 368	13 653 368
<b>Calculation of Headline earnings (R'000)</b>			
Profit/(Loss) attributable to ordinary shareholders	10 632	(4 730)	5 941
Loss on disposal of property, plant and equipment	-	53	74
<b>Headline Earnings per share (cents) - basic and diluted</b>	<b>10 632</b>	<b>(4 677)</b>	<b>6 015</b>

**UNAUDITED CONDENSED CONSOLIDATE STATEMENT OF FINANCIAL POSITION**

	Unaudited Six Months 31 Aug 2020  R'000	Unaudited Six Months 31 Aug 2019  R'000	Audited Year ended 29 Feb 2020  R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	21 318	23 755	22 752
Intangible assets	960	1 481	1 228
Deferred taxation	1 356	5 481	6 498
	23 633	30 717	30 478
<b>Current assets</b>			
Inventories	18 329	3 920	3 251
Trade and other receivables	17 989	4 146	13 923
Cash and cash equivalents	766	466	369
	37 084	8 532	17 543
<b>TOTAL ASSETS</b>	60 717	39 249	48 021

**UNAUDITED CONDENSED CONSOLIDATE STATEMENT OF FINANCIAL POSITION...CONTINUE**

	Unaudited Six Months 31 Aug 2020  R'000	Unaudited Six Months 31 Aug 2019  R'000	Audited Year ended 29 Feb 2020  R'000
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share Capital	159 580	159 580	159 580
Reserves	9 920	10 734	10 140
Accumulated loss	(135 794)	(157 098)	(147 426)
<b>Total shareholders' funds</b>	<b>33 706</b>	<b>13 216</b>	<b>23 294</b>
<b>Non-current liabilities</b>			
Loans from shareholders	18 918	15 885	17 821
Lease liabilities	206	-	373
Deferred taxation	-	5 481	-
	19 124	21 366	18 194
<b>Current liabilities</b>			
Trade and other payables	7 509	4 663	5 044
Lease liabilities	377	-	290
Bank overdraft	-	4	1 199
	7 887	4 667	6 533
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>60 717</b>	<b>39 249</b>	<b>48 021</b>

## UNAUDITED CONDENSED CONSOLIDATE STATEMENT OF CASH FLOWS

	Unaudited Six Months 31 Aug 2020 R'000	Unaudited Six Months 31 Aug 2019 R'000	Audited Year ended 29 Feb 2020 R'000
<b>Cash flow from operating activities</b>			
Cash generated from / (utilized by) operations	1 157	(455)	(2 260)
Interest income	2	-	63
Interest paid	-	(624)	-
<b>Net cash flow from operating activities</b>	<b>1 159</b>	<b>(1 079)</b>	<b>(2 197)</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	-	(1 406)	(1 564)
Proceeds from disposal of property, plant and equipment	-	15	65
<b>Net cash flow from investing activities</b>	<b>-</b>	<b>(1 391)</b>	<b>(1 499)</b>
<b>Cash flow from financing activities</b>			
Loans received from shareholders	542	3 000	4 020
Finance lease payments	(80)	-	(205)
Finance costs	(25)	-	(881)
<b>Net cash flow from financing activities</b>	<b>437</b>	<b>3 000</b>	<b>2 934</b>
<b>Total cash movement for the year</b>	<b>1 596</b>	<b>530</b>	<b>(762)</b>
Cash and cash equivalents at beginning of period	(830)	(68)	(68)
<b>Cash and cash equivalents at end of period</b>	<b>766</b>	<b>462</b>	<b>(830)</b>

**UNAUDITED CONDENSED CONSOLIDATE STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 AUGUST 2020**

	Share capital	Treasury shares	Share based payment reserve	Revaluation reserve	Accumulated loss	Equity
<b>Balance at 28 February 2019</b>	<b>166 321</b>	<b>(6 741)</b>	<b>212</b>	<b>10 521</b>	<b>(152 367)</b>	<b>17 946</b>
Total comprehensive loss for the period -	-	-	-	-	(4 730)	(4 730)
<b>Balance at 31 August 2019 - unaudited</b>	<b>166 321</b>	<b>(6 741)</b>	<b>212</b>	<b>10 521</b>	<b>(157 098)</b>	<b>13 216</b>
Profit for the period	-	-	-	-	10 671	10 671
Other comprehensive income for the period	-	-	-	(593)	-	(593)
<b><i>Total comprehensive income for the period</i></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(593)</b>	<b>10 671</b>	<b>10 078</b>
<b>Balance at 29 February 2020 - audited</b>	<b>166 321</b>	<b>(6 741)</b>	<b>212</b>	<b>9 928</b>	<b>(146 427)</b>	<b>23 294</b>
Profit for the period	-	-	-	-	10 632	10 632
Other comprehensive income for the period	-	-	-	(220)	-	(220)
<b><i>Total comprehensive income for the period</i></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(220)</b>	<b>10 632</b>	<b>10 412</b>
<b>Balance at 31 August 2020 - unaudited</b>	<b>166 321</b>	<b>(6 741)</b>	<b>212</b>	<b>9 708</b>	<b>(135 795)</b>	<b>33 706</b>

**UNAUDITED CONDENSED CONSOLIDATE GROUP SEGMENT ANALYSIS**

	Foods	Services
<b>Business segments for the six months ended 31 August 2020 - unaudited</b>		
Revenue from external sales	13 412	20 312
Segment profit/(loss) before tax	(2 381)	18 155
Taxation	-	(5 142)
<b>Profit for the period</b>		
<b>for the six months ended 31 August 2019 - unaudited</b>		
Revenue from external sales	16 703	-
Revenue from internal sales	-	300
<b>Segment profit/(loss) before tax</b>	(3 078)	(1 652)
Taxation	-	-
<b>Loss for the period</b>		
<b>for the year ended 29 February 2020 - audited</b>		
Revenue from external sales	32 535	8 294
Revenue from internal sales	-	300
<b>Segment profit/(loss) before tax</b>	(6 109)	5 552
Taxation	-	6 498
<b>Profit for the period</b>		5 941

## BASIS FOR PREPARATION

The unaudited and unreviewed, condensed interim financial results for the period ended 31 August 2020 have been prepared in accordance with International Financial Reporting Framework (“IFRS”), the presentation disclosure requirements of IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Financial Reporting Accountants 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 the 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 applied in the previous financial statements.

The unaudited and unreviewed, condensed interim financial results have been prepared under the supervision of the Chief Financial Officer, Ms. S. Meyer.

Neither these unaudited and unreviewed, condensed interim financial results, nor any references to future financial performance included in this results announcement, has been audited or reviewed or reported on by the Company’s external auditor, HLB CMA South Africa Inc

## GOING CONCERN

The Group achieved an operating profit after tax of R10. 632 million for the six months ended 31 August 2020.

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:

- Thabo Mokgatlha resigned as non- executive director with effect from 3 September 2020;
- Abdullah Khalfan Nasser appointed as Chairman with effect from 7 August 2020;
- Thuli Mashaba appointed as a 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.
- Dr Adel Al Tinawi (M.Pharm) appointed as a non-executive director effective from 1 September 2020.

- Mr Tony Kyubwa – appointed as a non-executive director effective from 1 September 2020
- Mr Neville Moodley - appointed as an executive director effective from 1 September 2020
- Ms Suzanne Meyer CA(SA) – appointed as the Chief Financial Officer effective from 29 October 2020

By order of the board

11 December 2020

MR MT Azum  
**Chief Executive Officer**

Ms S Meyer CA(SA)  
**Chief Financial Officer**

#### CORPORATE INFORMATION

Non-executive directors: Mr S. Tinawi, Ms T. Mashaba, T. Kyubwa, Mr MM. Suping, PM Chabeli,  
PJ Mokgothu

Executive directors: Mr MT Azum, M S Meyer, Mr K Nasser, Mr N Moodley

Registration number: 2004/002282/06

Registered address: Unit 20, Boulevade Business Park, 14 Belladona Road, Durban, 4319

Postal address: P.O Box 5026, La Lucia Ridge, 4019

Telephone: 031 1000 397

Transfer secretaries: 4 Africa Exchange Registry Proprietary Limited

Designated Advisor: Exchange Sponsors (2008) Proprietary Limited

