ANDULELA
Investment Holdings

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2013

Condensed consolidated statements of financial position

	Notes	REVIEWED 31 December 2013 R'000	AUDITED 31 December 2012 R'000
ASSETS			
Non-current assets		**759 127**	758 392
Plant and equipment	1	**318 301**	326 498
Goodwill	2	**418 679**	418 679
Deferred tax asset		**22 147**	13 215
Current assets		**272 090**	278 000
Inventory		**69 689**	62 960
Trade and other receivables		**163 186**	181 083
Taxation		**3 510**	3 395
Cash and cash equivalents		**35 705**	29 521
Non-current assets held for sale		**–**	1 041
Total assets		**1 031 217**	1 036 392
EQUITY AND LIABILITIES			
Capital and reserves		**454 051**	470 906
Stated capital	3	**976 114**	976 114
Revaluation reserve		**4 638**	4 638
Cash flow hedge reserve	4	**(65 579)**	(48 055)
Accumulated loss		**(523 273)**	(529 830)
Non-controlling interest		**62 151**	68 039
Non-current liabilities		**277 297**	298 231
Redeemable preference share capital		**18 361**	38 327
Derivative financial liabilities	4	**92 554**	73 715
Borrowings	5	**111 650**	133 400
Lease straightlining accrual		**14 580**	12 516
Deferred tax liability		**40 152**	40 273
Current liabilities		**299 869**	267 255
Taxation		**6 836**	10 976
Trade and other payables		**62 413**	82 505
Redeemable preference share capital		**15 000**	15 780
Derivative financial liabilities	4	**16 408**	6 130
Borrowings	5	**199 212**	151 864
Total equity and liabilities		**1 031 217**	1 036 392
Net asset value per share (cents)*		**447,14**	459,66
Net tangible asset value per share (cents)*		**47,84**	60,35

** The December 2012 net asset value and net tangible asset value per ordinary share has been recalculated to take into account the share consolidation of 50:1, which was approved by shareholders on 27 February 2013 and became effective on 29 April 2013.*

Condensed consolidated statements of comprehensive income

	Notes	REVIEWED 31 December 2013 R'000	AUDITED 31 December 2012 R'000
Revenue		**902 528**	1 471 972
Cost of sales		**(711 288)**	(1 281 040)
Gross profit		**191 240**	190 932
Profit from operations		**40 665**	26 230
Investment income		**3 092**	1 317
Impairment of plant and equipment	1	**–**	(47 262)
Loss on scrapping of plant and equipment	1	**–**	(20 769)
Finance costs		**(25 164)**	(27 910)
Profit/(loss) before taxation		**18 593**	(68 394)
Taxation		**(8 755)**	18 508
Net profit/(loss) for the year		**9 838**	(49 886)
Other comprehensive (loss) net of tax		**(20 965)**	(57 488)
Loss on accrual of derivative cash flow hedge	3	**(29 118)**	(79 845)
Deferred tax reversal on derivative cash flow hedge	3	**8 153**	22 357
Total comprehensive (loss)		**(11 127)**	(107 374)
Net profit/(loss) attributable to:		**9 838**	(49 886)
– Equity holders of Andulela		**6 557**	(53 212)
– Non-controlling interest		**3 281**	3 326
Total comprehensive (loss) attributable to:		**(11 127)**	(107 374)
– Equity holders of Andulela		**(10 968)**	(101 266)
– Non-controlling interest		**(159)**	(6 108)
Ordinary shares in issue (millions)*		**87,64**	87,64
Weighted average number of ordinary shares in issue (millions)*		**87,64**	87,52
Headline earnings/(loss)		**6 198**	(4 049)
– Attributable net profit/(loss)		**6 557**	(53 212)
– Add back: Impairment, scrapping and loss of plant and equipment net of deferred taxation		**(358)**	49 163
Earnings/(loss) and diluted earnings/(loss) per ordinary share (cents)*		**7,48**	(60,80)
Headline earnings/(loss) and diluted headline earnings/(loss) per ordinary share (cents)*		**7,07**	(4,63)
Dividends per ordinary share (cents)		**–**	–

** The earnings/(loss) and the headline earnings/(loss) per ordinary share are calculated by dividing the earnings/(loss) and the headline earnings/(loss) by the weighted average number of ordinary shares in issue during the year. The diluted earnings/(loss) and the diluted headline earnings/(loss) per ordinary share are calculated by dividing the diluted earnings/(loss) and the diluted headline earnings/(loss) by the weighted average number of ordinary shares in issue and issuable during the year. The December 2012 ordinary shares in issue and weighted average number of shares in issue, as well as the earnings/(loss) and the headline earnings/(loss) per ordinary share for 2012, have been recalculated to take into account the share consolidation of 50:1, which was approved by shareholders on 27 February 2013 and became effective on 29 April 2013.*

Condensed consolidated statements of cash flows

	REVIEWED 31 December 2013 R'000	AUDITED 31 December 2012 R'000
Cash flows from:		
Operating activities	**18 701**	(15 836)
Investing activities	**(9 196)**	(9 523)
Financing activities	**(3 321)**	(3 375)
Change in cash and equivalents	**6 184**	(28 734)
Opening cash and equivalents	**29 521**	58 255
Closing cash and equivalents	**35 705**	29 521

Condensed consolidated statements of changes in equity

	REVIEWED 31 December 2013 R'000	AUDITED 31 December 2012 R'000
Opening balances	**470 906**	584 600
Movements for the period:		
– Net profit/(loss) for the year attributable to equity holders of Andulela	**6 557**	(53 212)
– Cash flow hedge reserve net of deferred tax	**(17 524)**	(48 055)
– Non-controlling interest	**(5 888)**	(12 427)
Closing balances	**454 051**	470 906

Notes to the reviewed provisional condensed consolidated financial results

BASIS OF PREPARATION

The reviewed provisional condensed consolidated financial results for the year ended 31 December 2013 have been presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("**IFRS**"), the information required by IAS 34, 'interim financial reporting', the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, 2008, as amended and the JSE Limited Listings Requirements. The reviewed provisional condensed consolidated financial results are presented in South African Rand, which is the Group's functional currency. The results have been prepared in accordance with the accounting policies of the Company that are in terms of IFRS and that are consistent with the accounting policies of the previous financial year. These results were prepared under the supervision of Henk Engelbrecht, the Group Chief Financial Officer.

1. PLANT AND EQUIPMENT

	REVIEWED **31 December 2013** **R'000**	**AUDITED** 31 December 2012 R'000
Opening balance	**326 498**	409 007
Impairment of plant and equipment	**–**	(47 262)
Loss on scrapping of plant and equipment	**–**	(20 769)
Transferred to non-current assets held for sale	**–**	(1 041)
Additions	**11 779**	9 817
Disposals	**(2 167)**	(540)
Depreciation	**(17 809)**	(22 714)
Plant and equipment at carrying value	**318 301**	326 498

During the 2012 year Pro Roof Steel Merchants Proprietary Limited and its subsidiaries ("**PRSM**") had a professional valuer re-assess the recoverable amounts of a specific line of plant and equipment resulting in an impairment of R47 million before deferred tax. PRSM also scrapped plant and equipment to the value of R21 million for the 2012 year-end, which had no material future economic benefits. The plant and equipment of the Nelspruit operation, which was disposed of as a going concern with effect from 1 March 2013, was classified as non-current assets held for sale during the 2012 financial year.

2. GOODWILL

The goodwill of R418,7 million arose from the acquisition of the remaining interests in Abalengani Mining Investments Proprietary Limited ("**AMI**") and JB Platinum Holdings Proprietary Limited ("**JBPH**") by the Company in 2010. AMI and JBPH respectively hold 49,63% and 33,96% in Kilken Platinum Proprietary Limited ("**Kilken**") as their only investments. The carrying amount as at 31 December 2013 has been tested for impairment and the board is satisfied that no impairment is required for the 2013 financial year.

3. STATED CAPITAL

	REVIEWED 31 December 2013 R'000	AUDITED 31 December 2012 R'000
3.1 Ordinary shares		
Authorised		
220 000 000 ordinary shares of no par value*	–	–
Issued		
4 382 241 731 ordinary shares of 1 cent each* (2012)	–	976 114
87 644 836 ordinary shares of no par value*	976 114	–
3.2 Share premium		
Opening balance	–	932 292
Transfer to stated capital	–	(932 292)
Closing balance	–	–
Total stated capital	976 114	976 114

* *At the general meeting of shareholders held on 27 February 2013 the authorised share capital of 5 500 000 000 ordinary shares and issued share capital of 4 382 241 731 ordinary shares of no par value of the Company was consolidated on a 50 to 1 basis, resulting in an authorised share capital of 110 000 000 ordinary shares and an issued share capital of 87 644 836 ordinary shares of no par value. Shareholders also approved a further special resolution at the same general meeting to increase the authorised share capital of the Company to 220 000 000 ordinary shares of no par value.*

4. DERIVATIVE FINANCIAL LIABILITY

In 2012, Kilken Platinum hedged 30% of its cash flow from the production revenue of platinum, palladium and gold in favour of a financier in line with its funding requirements. The hedge mitigates the cash flow risk related to commodity price fluctuations and movements in the ZAR/USD exchange rate in order to repay the funding facility to the financier.

In accordance with IAS 39, R79,8 million of the cash flow hedge was recognised as a hedging instrument at fair value in the statements of financial position at 31 December 2012, without taking account of any collateral held or other credit enhancements, over the remainder of the hedge contract term which started on 1 September 2012 and will end on 30 September 2018. This resulted in a R57,5 million loss after deferred taxation in other comprehensive income and a cash flow hedge reserve of R48,1 million, net of non-controlling interests.

For the year ended 31 December 2013 a further R21,0 million loss after deferred tax has been recognised in other comprehensive income and an increase in the cash flow hedge reserve of R17,6 million, net of non-controlling interests in the statement of financial position.

The fair value of the cash flow hedge is apportioned between current and non-current liabilities depending on the remaining maturity period of the derivative contract and its contractual cash flows.The cash flow hedge cost will be accounted for as either a profit or a loss as it becomes effective and the settlements are actually made over the duration of the term of the hedge contract.

5. BORROWINGS

Total borrowings of the Group amounted to R310,9 million for 2013 compared to R285,3 million for 2012, and can be summarised as follows:

	REVIEWED **31 December 2013 R'000**	**AUDITED** 31 December 2012 R'000
Absa Bank Limited	**193 400**	205 000
Reichmans Capital Proprietary Limited	**72 352**	41 897
Thunder Rate Investments Proprietary Limited	**44 480**	37 737
The Rafik Mohamed Family Trust	**630**	630
Total borrowings	**310 862**	285 264
Less: short term borrowings	**199 212**	151 864
Non-current liabilities	**111 650**	133 400

6. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

	REVIEWED **31 December 2013 R'000**	**AUDITED** 31 December 2012 R'000
Sales to related parties	**65 387**	135 108
Purchases from related parties	**27 580**	36 156
Administration and management fees paid to related parties	**972**	900
Preference dividends paid to related parties	**2 437**	3 762
Rent expenses to related parties	**13 362**	16 146
Trade receivables	**27 299**	39 342
Loan accounts – owing to related parties	**45 110**	38 367
Cumulative redeemable preference shares	**33 361**	54 107
Trade payables	**4**	5 926

7. SEGMENT REPORTING

The strategic steering committee is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the strategic steering committee for the purposes of allocating resources and assessing performance. The strategic steering committee considers the business from a product perspective. The Group has two sources of income, namely, the production of platinum group metals at the Kilken tailings treatment facility and the processing and distribution of steel products by PRSM.

7. SEGMENT REPORTING (continued)

	REVIEWED 31 December 2013 R'000	AUDITED 31 December 2012 R'000
Revenue		
Tailings treatment	**91 729**	99 084
Steel processing	**810 799**	1 372 888
Total revenue	**902 528**	1 471 972
There are no sales between segments		
Profit/(loss) after tax		
Tailings treatment	**19 994**	20 266
Steel processing	**(3 703)**	(65 010)
Other unallocated	**(6 453)**	(5 142)
Total profit/(loss) after tax	**9 838**	(49 886)
Assets		
Tailings treatment	**270 242**	292 765
Steel processing	**528 090**	500 607
Steel processing – assets held for sale	**–**	1 041
Inter-group eliminations	**(197 387)**	(183 413)
Reportable segment assets	**600 045**	611 000
Goodwill	**418 679**	418 679
Other unallocated assets	**11 593**	6 713
Total assets	**1 031 217**	1 036 392
Liabilities		
Tailings treatment	**310 813**	297 466
Steel processing	**427 062**	396 915
Inter-group eliminations	**(194 328)**	(183 317)
Reportable segment liabilities	**543 547**	511 064
Redeemable preference shares	**33 361**	54 107
Other unallocated liabilities	**258**	316
Total liabilities	**577 166**	565 487

REVIEW OPINION

These results have been reviewed by the Company's auditors, BDO South Africa Incorporated, whose unmodified review opinion is available for inspection at the Company's registered office. The auditor's report does not necessarily report on all of the financial information contained in this announcement. Shareholders are therefore advised that in order to gain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Company's registered office.

The directors take full responsibility for the preparation of this provisional report.

NATURE OF THE BUSINESS

The Company is an investment holding company.

GOING CONCERN

The financial information has been prepared on a going concern basis.

DIRECTORATE

I Kajee resigned as a non-executive director on 9 May 2013. PC de Jager resigned as Chief Financial Officer on 30 June 2013, but remains on the board of directors as a non-executive director. JHP Engelbrecht was appointed as Chief Financial Officer with effect from 1 July 2013. The current directors of the Company at the date of this report are as follows:

Name	Date of appointment
MJ Husain (Chairman)#	Appointed as Chairman 26 February 2010
A Kaka (CEO)	Appointed as CEO 26 February 2010
JHP Engelbrecht (CFO)	Appointed as CFO 1 July 2013
PC de Jager*	Appointed 25 October 2010
GR Rosenthal#	Appointed 26 February 2010
PE du Preez#	Appointed 1 October 2011
CWN Molope#	Appointed 1 July 2012

*#Independent non-executive   *Non-executive*

FINANCIAL REVIEW

Andulela's results for the year ended 31 December 2013 reflect a headline profit of R6,2 million compared to a headline loss of R4,0 million for the year ended 31 December 2012. Kilken produced excellent results for the year, but the strike and downtime at the tailings supplier significantly affected the results of the second six-month period, while PRSM's loss reduced from R16,0 million (before the impairment of plant and equipment) for the year ended 31 December 2012 to R3,7 million for the current year. The weakening of the Rand against the US Dollar had a negative effect on the cash flow hedge over the last year, resulting in a further provision of mark-to-market loss of R21 million over the remaining lifetime of the cash flow hedge being recognised against other comprehensive income for the year.

Working capital management throughout the Group contributed to improved cash flow with cash flow from operations increasing from an outflow of R15,8 million in 2012 to an inflow of R18,7 million in 2013. Debt levels however remain high at R310,9 million compared to R285,3 million for 2012, with PRSM the main borrower, with debt of R281,1 million in 2013 (2012: R265,0 million).

Andulela redeemed a further R20,7 million of its preference share obligations during the period under review, with a balance of R33,4 million outstanding as at 31 December 2013.

Kilken

Over the 2013 financial year the US Dollar commodity prices continued to decrease by around 20%, but this was mostly offset by the weakening of the Rand against the US Dollar by 20%, resulting in a modest increase in the Rand commodity prices over the period. US Dollar based commodity prices increased after year-end due to, *inter alia,* the ongoing strike at the three major platinum producers since January 2014.

While the first six months of the 2013 financial year produced excellent results, the second half of the financial year was marred by industry wide labour actions during October 2013, as well as an increase in unplanned downtime at the tailings supplier. The effect of this was lower production, revenue and profitability compared to the first six months. Various cost saving plans that were implemented in the latter part of the first six months contributed to reduced costs for Kilken during the second half.

Kilken's revenue decreased from R99,0 million in 2012 to R91,7 million in 2013, with the cash flow hedge reducing revenue by R11,2 million for 2013 (2012: R1,1 million). Earnings before interest, tax, depreciation and amortisation decreased from R40,8 million in 2012 to R33,4 million in 2013, mainly due to the decrease in revenue. Operating expenses showed a marginal decrease from R29,7 million to R27,9 million for 2013. Net profit after tax decreased marginally from R20,3 million in 2012 to R20,0 million in 2013.

PRSM

The 2013 financial year was a challenging year for PRSM, with demand for steel and steel prices remaining depressed throughout this period. The unplanned shutdown by its main supplier in February 2013, due to severe damage at its Vanderbijlpark plant, led to a number of industry players importing additional material to deal with the resultant inventory shortage. This, together with the supplier clearing its back-orders, resulted in the industry having a substantial oversupply and consequently inventory being sold at or below cost.

PRSM's revenue decreased from R1,372 million in 2012 to R810 million for the current year, but earnings before interest, tax, depreciation and amortisation improved from R9,7 million in 2012 to R28,6 million for 2013, while the loss after tax improved from R16,0 million in 2012 to R3,7 million in 2013. The results includes an insurance payout of R8 million as a result of the unplanned shutdown of the main supplier referred to above. The improvement in the earnings before interest, tax, depreciation and amortisation is attributable to, *inter alia*, improved margins and cost savings from the closure of the Polokwane operations, the sale of the Nelspruit operations and the restructuring of the KZN operations to a distribution centre only, as well as a restructuring at the Vereeniging operations during July 2013, further reducing costs. Depreciation decreased from R19,2 million for 2012 to R14,2 million for 2013 due to the impairment of plant and equipment at the end of the 2012 financial year, while the interest expense increased from R16,5 million in 2012 to R19,4 million in 2013 due to higher average interest bearing debt levels in the PRSM Group during 2013.

Overall the domestic steel market remained weak as a result of the global slowdown and this is expected to continue in the short term and hence impact the local demand for steel and PRSM's sales volumes. The above factors, together with other operational restructuring initiatives of PRSM, contributed to the decline in overall revenue in the year to December 2013, compared to the same period in 2012.

Andulela entered into an agreement to dispose of PRSM in December 2013, as was announced on 4 December 2013 and details of which were contained in the circluar to shareholders dated 13 February 2014. The disposal was subject to, *inter alia*, the approval of shareholders and the consent of third parties to the transaction. The Company was not able to secure this consent and consequently the disposal agreement lapsed in March 2014. An announcement to this effect was released on 6 March 2014 to cancel the general meeting at which the disposal was to be tabled for shareholders' approval.

Events subsequent to the year-end

During February and March 2014 mineworkers in the platinum industry embarked on a strike, which resulted in limited production at Kilken for these months. The cash flow effect of these months will be felt in June and July 2014 when payment is due to Kilken. Management is monitoring the impact of the strike on its operations and revenue, and will take appropriate action to manage the Group's cash flows and cash resources during this period of uncertainty.

As indicated above, the PRSM disposal could not be successfully implemented. Andulela's board is reconsidering its options with regard to its investment in PRSM and will revert to shareholders in due course on this matter.

No other material event occurred subsequent to the year-end up to the date of this results announcement which could have an effect on the results of the Group or its subsidiaries.

Commitments

The Group has no outstanding capital commitments at year-end.

For and on behalf of the board

Mohamed J Husain
Independent non-executive chairman

Ashruf Kaka
Chief executive officer

Sandton
31 March 2014

Andulela Investment Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1950/037061/06)
JSE share code: AND • ISIN: ZAE000172870
("Andulela" or "the Group" or "the Company")

Registered Office
108 4th Street, Parkmore, Sandton 2196

Directors
MJ Husain# *(Chairman)*, A Kaka *(CEO)*, JHP Engelbrecht *(CFO)*
GR Rosenthal#, PE du Preez#, CWN Molope#, PC de Jager*
#Independent non-executive
*Non-executive

Company Secretary
H Kazi

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