ANDULELA

Investment Holdings

Andulela Investment Holdings Limited
Incorporated in the Republic of South Africa
Registration number: 1950/037061/06
Share code: AND • ISIN: ZAE 000172870
"Andulela" or "the company" or "the group"

REVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

Registered Office
108 4th Street, Parkmore, Sandton, 2196

Company Secretary
H Kazi

Auditors
BDO South Africa Incorporated
Building C, Riverwalk Office Park
41 Matroosberg Road, Ashlea Gardens, Pretoria

Transfer Secretaries
Link Market Services (Pty) Ltd
13th Floor, Rennie House, 19 Ameshoff Street
Braamfontein

Sponsor
Java Capital, 2 Arnold Road, Rosebank, Sandton

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

www.andulelaholdings.com

Condensed consolidated statements of financial position

	Notes	REVIEWED Period 30 June 2013 (R'000)	REVIEWED Period 30 June 2012 (R'000)	AUDITED Year ended 31 December 2012 (R'000)
ASSETS				
Non-current assets		**758 108**	820 775	758 392
Plant and equipment	1	**324 378**	401 403	326 498
Goodwill		**418 679**	418 679	418 679
Deferred tax asset		**15 051**	693	13 215
Current assets		**302 662**	372 658	278 000
Inventory		**93 408**	85 616	62 960
Trade and other receivables		**157 419**	214 240	181 083
Taxation		**3 576**	–	3 395
Cash and cash equivalents		**48 259**	72 802	29 521
Non-current assets held for sale		**–**	–	1 041
Total assets		**1 060 770**	1 193 433	1 036 392
EQUITY AND LIABILITIES				
Capital and reserves		**470 041**	571 408	470 906
Stated capital	2	**976 114**	976 114	976 114
Revaluation reserve		**4 638**	4 638	4 638
Cash flow hedge reserve	3	**(51 147)**	–	(48 055)
Accumulated loss		**(526 598)**	(484 993)	(529 830)
Non-controlling interest		**67 034**	75 649	68 039
Non-current liabilities		**262 192**	329 742	285 715
Redeemable preference share capital		**27 916**	53 081	38 327
Deferred tax liability		**37 111**	73 694	40 273
Derivative financial liabilities	3	**74 640**	–	73 715
Borrowings		**122 525**	202 967	133 400
Current liabilities		**328 537**	292 283	279 771
Taxation		**10 200**	3 102	10 976
Redeemable preference share capital		**15 780**	13 647	15 780
Derivative financial liabilities	3	**10 344**	–	6 130
Borrowings		**189 563**	70 664	151 864
Trade and other payables		**102 650**	204 870	95 021
Total equity and liabilities		**1 060 770**	1 193 433	1 036 392
Net asset value per share (cents)*		**459,82**	567,00	459,66
Net tangible asset value per share (cents)*		**60,51**	167,00	60,35

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

Condensed consolidated statements of comprehensive income

	Notes	REVIEWED Period 30 June 2013 (R'000)	REVIEWED Period 30 June 2012 (R'000)	AUDITED Year ended 31 December 2012 (R'000)
Gross revenue		**426 174**	693 691	1 471 972
Cost of sales		**(318 098)**	(611 361)	(1 281 040)
Gross profit		**108 076**	82 330	190 932
Profit from operations		**20 906**	1 014	26 230
Investment income		**1 416**	355	1 317
Impairment of plant and equipment	1	**–**	–	(47 262)
Loss on scrapping of plant and equipment	1	**–**	–	(20 769)
Profit on disposal of plant and equipment		**262**	–	–
Finance costs		**(12 085)**	(9 372)	(27 910)
Profit/(loss) before taxation		**10 499**	(8 003)	(68 394)
Taxation		**(4 857)**	1 132	18 508
Net profit/(loss)		**5 642**	(6 871)	(49 886)
Other comprehensive (loss)/income net of tax		**(3 700)**	–	(57 488)
Loss on accrual of derivative cash flow hedge	3	**(5 139)**	–	(79 845)
Deferred tax reversal on derivative cash flow hedge	3	**1 439**	–	22 357
Total comprehensive income/(loss)		**1 942**	(6 871)	(107 374)
Net profit/(loss) attributable to:		**5 642**	(6 871)	(49 886)
– Equity holders of Andulela		**3 232**	(8 374)	(53 212)
– Non-controlling interest		**2 410**	1 503	3 326
Total comprehensive income/(loss) attributable to:		**1 942**	(6 871)	(107 374)
– Equity holders of Andulela		**139**	(8 374)	(101 266)
– Non-controlling interest		**1 803**	1 503	(6 108)
Ordinary shares in issue (millions)*		**87,64**	87,42	87,64
Weighted average number of ordinary shares in issue (millions)*		**87,64**	86,02	87,52
Headline earnings/(loss)		**2 970**	(8 374)	(4 049)
– Attributable net profit/(loss)		**3 232**	(8 374)	(53 212)
– Add back: Impairment and scrapping of plant and equipment net of deferred taxation		**–**	–	49 163
– Deduct: Profit on sale of plant and equipment net of deferred taxation		**(262)**	–	–
Earnings/(loss) and diluted earnings/(loss) per ordinary share (cents)*		**3,69**	(9,50)	(60,80)
Headline earnings/(loss) and diluted headline earnings/(loss) per ordinary share (cents)*		**3,39**	(9,50)	(4,63)

** The earnings/(loss) and the headline earnings/(loss) per ordinary share is calculated by dividing the earnings/(loss) and the headline earnings/(loss) by the weighted average number of ordinary shares in issue during the period. The diluted earnings/(loss) and the diluted headline earnings/(loss) per ordinary share is calculated by dividing the diluted earnings/(loss) and the diluted headline earnings/(loss) by the weighted average number of ordinary shares in issue during the period. The June 2012 and December 2012 number of 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 has been recalculated to take the share consolidation of 50:1 into account, which was approved by shareholders on 27 February 2013.*

Condensed consolidated statements of cash flows

	REVIEWED Period 30 June 2013 (R'000)	REVIEWED Period 30 June 2012 (R'000)	AUDITED Year ended 31 December 2012 (R'000)
Cash flows from:			
Operating activities	**12 236**	19 586	(15 836)
Investing activities	**(5 738)**	(7 290)	(9 523)
Financing activities	**12 240**	2 251	(3 375)
Change in cash and equivalents	**18 738**	14 547	(28 734)
Opening cash and equivalents	**29 521**	58 255	58 255
Closing cash and equivalents	**48 259**	72 802	29 521

Condensed consolidated statements of changes in equity

	REVIEWED Period 30 June 2013 (R'000)	REVIEWED Period 30 June 2012 (R'000)	AUDITED Year ended 31 December 2012 (R'000)
Opening balances	**470 906**	584 600	584 600
Movements for the period:	**–**	–	–
– Net profit/(loss) attributable to equity holders of Andulela	**3 232**	(8 374)	(53 212)
– Cash flow hedge reserve net of deferred tax	**(3 092)**	–	(48 055)
– Non-controlling interest	**(1 005)**	(4 818)	(12 427)
Closing balances	**470 041**	571 408	470 906

Notes to the reviewed condensed consolidated interim results

BASIS OF PREPARATION

The reviewed condensed consolidated interim results for the six months ended 30 June 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 condensed consolidated interim 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 are consistent with those of the previous financial year. These results were prepared under the supervision of Henk Engelbrecht, the Group Chief Financial Officer.

	REVIEWED Period 30 June 2013 (R'000)	REVIEWED Period 30 June 2012 (R'000)	AUDITED Year ended 31 December 2012 (R'000)
1. PLANT AND EQUIPMENT			
Opening balance	**326 498**	409 007	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	**8 737**	7 291	9 817
Disposals	**(1 958)**	–	(540)
Depreciation	**(8 899)**	(14 895)	(22 714)
Plant and equipment at carrying value	**324 378**	401 403	326 498

During the 2012 financial year Pro Roof Steel Merchants (Pty) Ltd 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 at the December 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.

	REVIEWED Period 30 June 2013 (R'000)	REVIEWED Period 30 June 2012 (R'000)	AUDITED Year ended 31 December 2012 (R'000)
2. STATED CAPITAL			
2.1 Ordinary shares			
Authorised			
5 500 000 000 ordinary shares of 1 cent each*	**–**	55 000	–
220 000 000 ordinary shares of no par value*	**–**	–	–
Issued			
4 382 241 731 ordinary shares of 1 cent each*	**–**	43 822	–
87 644 836 ordinary shares of no par value*	**976 114**	–	976 114
	976 114	43 822	976 114
2.2 Share premium			
Opening balance	**–**	932 292	932 292
Transfer to stated capital	**–**	–	(932 292)
Closing balance	**–**	932 292	–
Total stated capital	**976 114**	976 114	976 114

** At the annual general meeting held on 8 August 2012, shareholders approved the special resolution in terms of which the share capital of the company was converted from par value shares of one cent each to no par value shares. 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 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 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.*

3. DERIVATIVE FINANCIAL LIABILITY

In 2012, Kilken Platinum (Pty) Ltd **("Kilken")** 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 IAS39, 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 in the statements of financial position.

For the period ended 30 June 2013 a R3,7 million loss after deferred tax has been recognised in other comprehensive income and an increase in the cash flow hedge reserve of R3,1 million, net of non-controlling interests in the statements 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 is 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.

4. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

	REVIEWED Period 30 June 2013 (R'000)	REVIEWED Period 30 June 2012 (R'000)	AUDITED Year ended 31 December 2012 (R'000)
Sales to related parties	**(29 312)**	(29 552)	(135 108)
Purchases from related parties	**15 664**	20 656	36 156
Administration and management fees paid to related parties	**486**	450	900
Preference dividends paid to related parties	**1 366**	2 071	3 762
Interest received from related parties	**(696)**	–	–
Rent expenses to related parties	**8 780**	12 784	16 146
Trade receivables	**29 672**	11 261	39 342
Loan accounts – owing to related parties	**(45 110)**	(38 089)	(38 367)
Cumulative redeemable preference shares	**(43 696)**	(66 728)	(54 107)
Trade payables	**(2 111)**	(2 558)	(5 926)

5. 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 **("PGM")** at the Kilken tailings treatment facility and the processing and distribution of steel products by PRSM.

5. SEGMENT REPORTING (continued)

	REVIEWED	REVIEWED	AUDITED
	Period 30 June 2013 (R'000)	Period 30 June 2012 (R'000)	Year ended 31 December 2012 (R'000)
Revenue			
Tailings treatment facility	**54 384**	44 946	99 084
Steel processing plants	**371 790**	648 745	1 372 888
Total revenue	**426 174**	693 691	1 471 972
There are no sales between segments			
Profit/(loss) after tax			
Tailings treatment facility	**14 680**	11 738	20 266
Steel processing plants	**(6 325)**	(12 043)	(65 010)
Other unallocated	**(2 713)**	(6 566)	(5 142)
Total profit/(loss) after tax	**5 642**	(6 871)	(49 886)
Assets			
Tailings treatment	**285 670**	73 589	292 765
Steel processing	**527 940**	694 621	500 607
Steel processing – assets held for sale	**–**	–	1 041
Inter-group eliminations	**(179 895)**	(12 002)	(183 413)
Reportable segment assets	**633 715**	756 208	611 000
Goodwill	**418 679**	418 679	418 679
Other unallocated assets of parent	**8 376**	18 546	6 713
Total assets	**1 060 770**	1 193 433	1 036 392
Liabilities			
Tailings treatment	**296 492**	31 912	297 466
Steel processing	**429 532**	537 569	396 915
Inter-group eliminations	**(179 036)**	(14 544)	(183 317)
Reportable segment liabilities	**546 988**	554 937	511 064
Redeemable preference shares	**43 696**	66 728	54 107
Other unallocated liabilities of parent	**45**	360	316
Total liabilities	**590 729**	622 025	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.

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 26 February 2010
GR Rosenthal#	Appointed 1 October 2011
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 six months to 30 June 2013 reflect a headline profit of R2,9 million compared to a headline loss of R8,4 million for the comparable period ended 30 June 2012. Kilken produced excellent results for the six months, while PRSM's loss reduced from R12,0 million for the six months to 30 June 2012 to R6,3 million for the current period. The weakening of the Rand against the US Dollar had a negative effect on the cash flow hedge over the last six months, resulting in a further R3,7 million loss being recognised against other comprehensive income for the reporting period.

While the cash balances of the group improved since its year-end, this was negated by the increased inventory levels at PRSM, partially due to unplanned stoppages at its main steel supplier which firstly resulted in inventory shortages, and then excess inventory levels when the supplier cleared its back-orders, and an increase in short-term borrowings.

Andulela redeemed a further R10,4 million of its preference share capital during the period under review, with a balance of R43,7 million outstanding as at 30 June 2013.

As mentioned in the 2012 Integrated Annual Report, management is considering all its options with regard to the operations of PRSM, as it continues to trade below expectations in the current weak market conditions.

Kilken

Andulela holds an effective interest of 83,6% in Kilken, which in turn has a 70% interest in the Kilken/Imbani Joint Venture **("the JV")**. The JV processes tailings from Rustenburg Platinum Mines Limited **("RPM")**, extracts the PGM concentrate, and sells it to RPM at market related prices. Over the last six months Kilken's revenue increased by 21% due to improved processing of the tailings and an increase in average production volumes of 13,4% in PGM concentrate per month, compared to the comparable period to 30 June 2012. The average basket price of the PGMs also increased by 12,7% over the comparable period. The cash flow hedge however limited the overall attributable revenue increase for the company to 21%, compared to the revenue increase of the JV of 27,5% over the same period. Overall, Kilken increased its profit after tax for the six months to 30 June 2013 by 25% compared to the profit after tax for the six months ended 30 June 2012. Certain suppliers' service contracts have been renegotiated with effect from 1 July 2013 and should contribute to increased profits from this company.

PRSM

As a result of an unplanned shutdown by its main supplier in February 2013 due to severe damage at its Vanderbijlpark plant, a number of industry players (including PRSM) imported additional material to deal with the resultant inventory shortage. This, together with the supplier clearing its back-orders, resulted in the industry and PRSM having a substantial oversupply and consequently inventory being sold at or below cost.

The Polokwane operation has been closed, the KZN operation scaled down to a distribution centre and the Nelspruit operation was sold at net asset value with effect from 1 March 2013, resulting in improved profit margins for PRSM and contributing to the reduction of the loss after tax from R12.0 million for June 2012 to R6.3 million for the six months ended 30 June 2013. Finance costs increased due to the high debt levels of PRSM.

Overall the domestic steel market remains 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 the other operational restructuring initiatives of PRSM, contributed to the decline in overall revenue in the period to June 2013, compared to the same period in 2012.

Events subsequent to the period end

Shareholders are referred to the cautionary announcement released on 18 September 2013 advising them that the company has entered into negotiations for the disposal of the company's interest in PRSM, which if successfully concluded may have a material effect on the price of the company's securities. Shareholders are accordingly advised to exercise caution when dealing in the company's securities until a further announcement is made.

Commitments

There are no outstanding capital commitments for the group as at 30 June 2013.

For and on behalf of the board

Mohamed J Husain
Independent Non-Executive Chairman

Ashruf Kaka
Chief Executive Officer

Sandton
23 September 2013