ANDULELA
Investment Holdings

REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

Condensed consolidated statements of financial position

	Notes	REVIEWED Period ended 30 June 2014 R'000	REVIEWED Period ended 30 June 2013 R'000	AUDITED Year ended 31 Dec 2013 R'000
ASSETS				
Non-current assets		**763 160**	758 108	759 127
Plant and equipment	1	**313 152**	324 378	318 301
Goodwill	2	**418 679**	418 679	418 679
Deferred tax asset		**31 329**	15 051	22 147
Current assets		**312 508**	302 662	256 732
Inventory		**99 774**	93 408	69 689
Trade and other receivables		**175 963**	157 419	147 828
Taxation		**3 510**	3 576	3 510
Cash and cash equivalents		**33 261**	48 259	35 705
Total assets		**1 075 668**	1 060 770	1 015 859
EQUITY AND LIABILITIES				
Capital and reserves		**416 313**	470 041	454 050
Stated capital	3	**976 114**	976 114	976 114
Revaluation reserve		**4 638**	4 638	4 638
Cash flow hedge reserve	4	**(79 532)**	(51 147)	(65 579)
Accumulated loss		**(542 527)**	(526 598)	(523 274)
Non-controlling interest		**57 620**	67 034	62 151
Non-current liabilities		**271 434**	276 784	277 296
Redeemable preference share capital		**14 121**	27 916	18 361
Derivative financial liabilities	4	**107 211**	74 640	92 554
Borrowings	5	**95 700**	122 525	111 650
Lease straightlining accrual		**15 945**	14 592	14 580
Deferred tax liability		**38 457**	37 111	40 151
Current liabilities		**387 921**	313 945	284 513
Taxation		**7 129**	10 200	6 836
Trade and other payables		**160 300**	88 059	62 415
Redeemable preference share capital		**11 250**	15 780	15 000
Derivative financial liabilities	4	**24 936**	10 344	16 408
Borrowings	5	**184 306**	189 562	183 854
Total equity and liabilities		**1 075 668**	1 060 770	1 015 859
Net asset value per share (cents)*		**409,26**	459,82	459,66
Net tangible asset value per share (cents)*		**9,95**	60,51	60,35

** A share consolidation of 50:1, which was approved by shareholders on 27 February 2013 and became effective on 29 April 2013 has been taken into account in both the 30 June 2013 and 31 December 2013 comparative periods.*

Condensed consolidated statements of comprehensive income

	Notes	REVIEWED Period ended 30 June 2014 R'000	REVIEWED Period ended 30 June 2013 R'000	AUDITED Year ended 31 Dec 2013 R'000
Gross revenue		**481 105**	426 174	902 528
Cost of sales		**(412 570)**	(318 098)	(711 288)
Gross profit		**68 535**	108 076	191 240
(Loss)/profit from operations		**(12 598)**	21 168	40 665
Investment income		**1 359**	1 416	3 092
Finance costs		**(12 541)**	(12 085)	(25 164)
(Loss)/profit before taxation		**(23 780)**	10 499	18 593
Taxation		**3 391**	(4 857)	(8 755)
Net (loss)/profit after tax		**(20 389)**	5 642	9 838
Other comprehensive (loss)/ income				
Items that may be reclassified subsequently to profiit or loss:		**(16 692)**	(3 700)	(20 964)
Loss on accrual of derivative cash flow hedge	4	**(23 184)**	(5 139)	(29 117)
Deferred tax reversal on derivative cash flow hedge	4	**6 492**	1 439	8 153
Total comprehensive (loss)/income		**(37 081)**	1 942	(11 126)
Net (loss)/profit attributable to:		**(20 389)**	5 641	9 838
– Equity holders of Andulela		**(19 254)**	3 232	6 557
– Non-controlling interest		**(1 135)**	2 409	3 281
Total comprehensive (loss)/income attributable to:		**(37 081)**	1 941	(11 126)
– Equity holders of Andulela		**(33 207)**	139	(10 967)
– Non-controlling interest		**(3 874)**	1 802	(159)
Ordinary shares in issue (millions)#		**87,64**	87,64	87,64
Weighted average number of ordinary shares in issue (millions)#		**87,64**	87,64	87,64
Headline (loss)/earnings		**(18 997)**	2 970	6 194
– Attributable net (loss)/profit		**(19 254)**	3 232	6 557
– Add back: Impairment, scrapping and loss of plant and equipment net of deferred taxation		**257**	(262)	(363)
(Loss)/earnings and diluted (loss)/ earnings per ordinary share (cents)#		**(21,97)**	3,69	7,48
Headline (loss)/earnings and diluted headline (loss)/earnings per ordinary share (cents)#		**(21,67)**	3,39	7,07
Dividends per ordinary share (cents)		**–**	–	–

 # The (loss)/earnings and the headline (loss)/earnings per ordinary share is calculated by dividing the (loss)/earnings and the headline (loss)/earnings by the weighted average number of ordinary shares in issue during the year. The diluted (loss)/earnings and the diluted headline (loss)/earnings per ordinary share is calculated by dividing the diluted (loss)/earnings and the diluted headline (loss)/earnings by the weighted average number of ordinary shares in issue and issuable during the year. Both the 30 June 2013 and 31 December 2013 ordinary shares in issue and weighted average number of shares in issue, as well as the (loss)/earnings and the headline (loss)/earnings per ordinary share has been calculated to take the share consolidation of 50:1, which was approved by shareholders on 27 February 2013 and became effective on 29 April 2013, into account.

Condensed consolidated statements of cash flows

	REVIEWED Period ended 30 June 2014 R'000	REVIEWED Period ended 30 June 2013 R'000	AUDITED Year ended 31 Dec 2013 R'000
Cash flows from:			
Operating activities	**27 009**	12 236	33 985
Investing activities	**(4 616)**	(5 738)	(9 121)
Financing activities	**(24 837)**	12 240	(18 680)
Change in cash and equivalents	**(2 444)**	18 738	6 184
Opening cash and equivalents	**35 705**	29 521	29 521
Closing cash and equivalents	**33 261**	48 259	35 705

Condensed consolidated statements of changes in equity

	REVIEWED Period ended 30 June 2014 R'000	REVIEWED Period ended 30 June 2013 R'000	AUDITED Year ended 31 Dec 2013 R'000
Opening balances	**454 051**	470 906	470 906
Movements for the period:			
– Net (loss)/profit attributable to equity holders of Andulela	**(19 254)**	3 232	6 557
– Cash flow hedge reserve net of deferred tax	**(13 953)**	(3 093)	(17 524)
– Non-controlling interest	**(4 531)**	(1 004)	(5 889)
Closing balances	**416 313**	470 041	454 050

Notes to the condensed consolidated interim financial statements

BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with the JSE Limited Listings Requirements for interim reports and the requirements of the Companies Act of South Africa and International Financial Reporting Standards, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee. The accounting policies applied in the preparation of these interim financial statements are consistent with those applied in the previous annual financial statements. The directors take full responsibility for the preparation of the condensed interim financial statements. The financial information has been correctly extracted from the underlying interim financial statements. These results were prepared under the supervision of Pieter de Jager, the Group Chief Financial Officer.

1. PLANT AND EQUIPMENT

	REVIEWED	**REVIEWED**	**AUDITED**
	Period ended 30 June 2014 R'000	Period ended 30 June 2013 R'000	Year ended 31 Dec 2013 R'000
Opening balance	**318 301**	326 498	326 498
Additions	**4 616**	8 737	11 779
Disposals	**(358)**	(1 958)	(2 167)
Depreciation	**(9 407)**	(8 899)	(17 809)
Plant and equipment at carrying value	**313 152**	324 378	318 301

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 30 June 2014 has been tested for impairment and the board is satisfied that no impairment is required for the six months ended 30 June 2014.

3. STATED CAPITAL

	REVIEWED Period ended 30 June 2014 R'000	REVIEWED Period ended 30 June 2013 R'000	AUDITED Year ended 31 Dec 2013 R'000
3.1 Ordinary shares			
Authorised			
220 000 000 ordinary shares of no par value*	**–**	–	–
Issued			
87 644 836 ordinary shares of no par value*	**976 114**	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 entered into a hedge agreement for 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, the cash flow hedge was recognised as a hedging instrument at fair value for the first time 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.

For the six months ended 30 June 2014 a R16,7 million loss after deferred tax (June 2013: R3,7 million loss) has been recognised in other comprehensive income and an increase in the cash flow hedge reserve of R28,4 million (June 2013: R3,1 million), net of non-controlling interests in the statement of financial position. The loss realised and netted against the revenue for the period was R8,8 million for the six months ended 30 June 2014 (June 2013: R4,5 million).

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 R280,0 million as at 30 June 2014 compared to R312,1 million as at 30 June 2013, and can be summarised as follows:

	REVIEWED **Period ended 30 June 2014 R'000**	REVIEWED Period ended 30 June 2013 R'000	AUDITED Year ended 31 Dec 2013 R'000
Absa Bank Limited*	**182 525**	199 200	193 400
Reichmans Capital Proprietary Limited	**67 653**	68 128	72 352
Thunder Rate Investments Proprietary Limited	**29 121**	44 130	29 121
The Rafik Mohamed Family Trust	**707**	629	631
Total borrowings	**280 006**	312 087	295 504
Less: short term borrowings	**184 306**	189 562	183 854
Non-current liabilities	**95 700**	122 525	111 650

** R60 million of the Absa Bank debt is a revolving credit facility which is annually renewable and the current year renewal discussions are in progress.*

6. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

	REVIEWED **Period ended 30 June 2014 R'000**	REVIEWED Period ended 30 June 2013 R'000	AUDITED Year ended 31 Dec 2013 R'000
Sales to related parties	**(47 219)**	(29 312)	(65 387)
Purchases from related parties	**28 331**	15 663	27 580
Administration and management fees paid to related parties	**525**	486	972
Preference dividends paid to related parties	**786**	1 366	2 437
Rent expenses to related parties	**6 737**	8 780	13 362
Trade receivables	**20 022**	29 672	11 941
Loan accounts – owing to related parties	**(29 543)**	(45 110)	(29 752)
Cumulative redeemable preference shares	**(25 371)**	(43 696)	(33 361)
Trade payables	**(23 813)**	(2 111)	(4)

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

7. SEGMENT REPORTING (continued)

	REVIEWED Period ended 30 June 2014 R'000	REVIEWED Period ended 30 June 2013 R'000	AUDITED Year ended 31 Dec 2013 R'000
Revenue			
Tailings treatment facility	**9 705**	54 384	91 729
Steel processing	**471 400**	371 790	810 799
Total revenue	**481 105**	426 174	902 528
There are no sales between segments			
(Loss)/profit after tax			
Tailings treatment facility	**(6 917)**	14 680	19 994
Steel processing	**(6 186)**	(6 325)	(3 703)
Other unallocated	**(7 286)**	(2 713)	(6 453)
Total (loss)/profit after tax	**(20 389)**	5 642	9 838
Assets			
Tailings treatment	**254 193**	285 670	270 242
Steel processing	**554 887**	527 940	512 731
Inter-group eliminations	**(153 477)**	(179 895)	(197 387)
Reportable segment assets	**655 603**	633 715	585 586
Goodwill	**418 679**	418 679	418 679
Other unallocated assets of parent	**1 386**	8 376	11 594
Total assets	**1 075 668**	1 060 770	1 015 859
Liabilities			
Tailings treatment	**322 374**	296 492	310 813
Steel processing	**460 046**	429 532	411 703
Inter-group eliminations	**(149 041)**	(179 037)	(194 325)
Reportable segment liabilities	**633 379**	546 987	528 191
Redeemable preference shares	**25 371**	43 696	33 361
Other unallocated liabilities of parent	**605**	46	257
Total liabilities	**659 355**	590 729	561 809

REVIEW OPINION

These condensed consolidated interim financial statements for the six months ended 30 June 2014 have been reviewed by BDO South Africa Incorporated, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Company's registered office together with the financial statements identified in the auditor's 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. Although the Group reported a net loss for the period and its current liabilities exceed its current assets as at 30 June 2014, the directors are satisfied that the Group companies will continue to have the necessary funds available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Refer to the more detailed discussion on Kilken and PRSM hereunder.

DIRECTORATE

CWN Molope resigned as a non-executive director on 30 May 2014, JHP Engelbrecht resigned as Chief Financial Officer on 30 June 2014 and PC de Jager was re-appointed in that position with effect from 1 July 2014. NMS Hadjee was appointed as independent non-executive director with effect of 1 July 2014. 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
PC de Jager (CFO)	Re-appointed as CFO 1 July 2014
GR Rosenthal#	Appointed 26 February 2010
PE du Preez#	Appointed 1 October 2011
NMS Hadjee#	Appointed 1 July 2014

Independent non-executive

FINANCIAL REVIEW

Andulela's results for the six months ended 30 June 2014 reflect a headline loss of R19,0 million compared to a headline profit of R3,0 million for the comparative six months ended 30 June 2013. As a result of the well documented extended platinum sector strike discussed in more detail below, Kilken posted its first ever net loss after tax since acquisition in 2008, for the six months ended 30 June 2014 in the amount of R6,9 million compared to a profit of R14,7 million in the comparative six months ended June 2013. PRSM's loss after tax reduced from R6,3 million for the six months ended 30 June 2013 to R6,1 million in the current period. The weakening of the Rand against the US Dollar had a negative effect on the cash flow hedge over the first six months of the current financial year, resulting in a further R16,7 million loss being recognised against other comprehensive income for the period.

As a result of the impact on the business of the production interruptions at Kilken, management employed aggressive working capital management throughout the Group to protect cash resources. This resulted in cash flow from operations improving from an inflow of R12,2 million for the six months ended 30 June 2013 to an inflow of R27,0 million in 2014. Overall interest bearing borrowing levels however remained high at R280,0 million as at June 2014 but have shown some improvement from the position of R312,1 million as at 30 June 2013, with PRSM still mainly utilising the external debt at a level of R249,7 million in June 2014 (2013: R274,1 million).

Andulela redeemed R7,99 million of its redeemable preference share capital obligations during the period under review resulting in a balance of R25,4 million outstanding as at 30 June 2014.

Andulela reached an agreement with the holder of the preference shares (Newshelf 1005 Proprietary Limited) to temporarily suspend preference share capital and dividend payments from May 2014 until such time as Kilken has reached normal production levels.

KILKEN

The first six months of the 2014 financial year were marred by unprecedented and violent industry-wide labour actions in the platinum mining sector resulting in very limited PGM production and tailings feed from the Amandelbult mine. Management proactively engaged with Kilken's own workforce on wage negotiations and there were no disagreements, but the labour strike at all the platinum producers had a severe impact on Kilken. The effect of this was significantly reduced production, revenue and profitability compared to the same period in 2013.

Kilken's revenue decreased from R54,4 million for the six months ended June 2013 in the prior year to R9,7 million for the current period up to 30 June 2014. The resulting net profit after tax deteriorated from a profit of R14,7 million for the six months to June 2013 compared to a loss of R6,9 million for the current period. Kilken's cash flow from operations was negatively affected, reducing to R9,1 million for the six months ended June 2014 from R18,7 million for the comparative period in 2013. Kilken however managed to produce a marginal overall positive cash inflow of R5,2 million for the current six months under review compared to R6,8 million in the prior period as a result of proactive management of working capital and variable costs.

Management is confident that the ramp-up in production from the Amandelbult plant will continue to improve in line with the positive production results for the period after the reporting period up to the date of this report.

PRSM

The extensive operational restructuring during 2012 and 2013 started to yield positive results at PRSM during the current six months under review to 30 June 2014.

Pro Roof Steel Merchants' revenue for the six months ended 30 June improved from R371,8 million in 2013 to R471,4 million for the current year. Earnings before interest, tax, depreciation and amortisation for the six months ended 30 June improved from R8,3 million in 2013 to R9,9 million for 2014, which improved the cash inflow from operating activities to R23,6 million for the first six months of 2014 compared to R1,5 million for the comparative period in 2013. The net loss after tax also improved marginally from R6,3 million in 2013 to R6,1 million in 2014. 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 branch, the sale of the Nelspruit branch and the restructuring of the KZN branch to a distribution centre only, as well as a restructuring at the Vereeniging operations during July 2013, as previously reported.

Predominant reasons for changes in working capital as at 30 June 2014 are as follows:

(i) Accounts receivable increased by 23% over both 30 June 2013 and 31 December 2013 due to sales in the month of June 2014 being 84% higher than the comparative period end. The fact that receivables only increased by 23% is an indication of greater efficiency in the management and collection of accounts receivable.

(ii) Inventory increased by R6 million over 30 June 2013 and by R30 million over 31 December 2013 which was the result of June 2014 being a high volume trading month and as a result of more focus on increased stock holding from both local and foreign suppliers. The effect of the increased purchases of raw material and the extended credit terms thereof is evident in accounts payable as discussed in (iii) below.

(iii) Accounts payable increased mainly due to the higher sales volumes achieved in June and also as a result of extended credit terms negotiated with suppliers.

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. Management's aggressive strategic and operational restructuring contributed markedly to PRSM's overall better performance and sustainability taking account of the aforementioned market conditions.

As announced on 6 March 2014, the aggreement for the disposal of PRSM lapsed due to suspensive conditions not being fulfilled.

EVENTS SUBSEQUENT TO THE PERIOD-END

The platinum industry strike was resolved late in June 2014, which resulted in limited production at Kilken for more than five months. The cash flow effect of this issue will be experienced until October 2014 due to the normal cash conversion cycle in Kilken. From July 2014 production and tailings feed start-up from the Amandelbult plant have been showing a slow but steady improvement and are expected to reach optimum production output levels in the near future.

PRSM's results were also negatively affected by the three week strike in the steel and engineering sector during July 2014. Management of PRSM utilised planned counter-measures to mitigate the impact of the strike to a large degree. No other events occurred subsequent to the period-end and up to the date of this announcement, which could have a material effect on the results of the Group or its subsidiaries.

Commitments

The Group had outstanding capital commitments of R2,3 million at 30 June 2014.

For and on behalf of the board

Mohamed J Husain
Independent non-executive chairman

Ashruf Kaka
Chief executive officer

Sandton
23 September 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)*, PC de Jager *(CFO)*
GR Rosenthal#, PE du Preez#, NMS Hadjee#
#Independent non-executive

Company Secretary
H Kazi

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