ANDULELA

Investment Holdings

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

Condensed consolidated statement of financial position

	Notes	REVIEWED Year ended 31 December 2014 R'000	AUDITED Year ended 31 December 2013 R'000
ASSETS			
Non-current assets		**749 394**	759 127
Plant and equipment	1	**308 444**	318 301
Goodwill	2	**418 679**	418 679
Deferred tax asset		**22 271**	22 147
Current assets		**261 885**	256 732
Inventory		**79 554**	69 689
Trade and other receivables		**158 588**	147 828
Taxation		**4 239**	3 510
Cash and cash equivalents		**19 504**	35 705
Total assets		**1 011 279**	1 015 859
EQUITY AND LIABILITIES			
Capital and reserves		**440 993**	454 050
Stated capital	3	**976 114**	976 114
Revaluation reserve		**4 638**	4 638
Cash flow hedge reserve	4	**(54 295)**	(65 579)
Accumulated loss		**(546 905)**	(523 274)
Non-controlling interest		**61 441**	62 151
Non-current liabilities		**213 938**	277 296
Redeemable preference share capital		**10 000**	18 361
Derivative financial liabilities	4	**70 343**	92 554
Borrowings	5	**79 750**	111 650
Lease straightlining accrual		**17 274**	14 580
Deferred tax liability		**36 571**	40 151
Current liabilities		**356 348**	284 513
Taxation		**6 121**	6 836
Trade and other payables		**96 702**	62 415
Redeemable preference share capital		**15 371**	15 000
Derivative financial liabilities	4	**19 872**	16 408
Borrowings	5	**218 282**	183 854
Total equity and liabilities		**1 011 279**	1 015 859
Net asset value per share (cents)*		**433,06**	459,66
Net tangible asset value per share (cents)*		**33,75**	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 the December 2013 comparative period.*

Condensed consolidated statement of comprehensive income

	Notes	REVIEWED Year ended 31 December 2014 R'000	AUDITED Year ended 31 December 2013 R'000
Gross revenue		1 095 190	902 528
Cost of sales		(948 530)	(711 288)
Gross profit		146 660	191 240
(Loss)/profit from operations		(6 222)	40 665
Investment income		1 756	3 092
Loss on scrapping of plant and equipment	1	(5 133)	–
Finance costs		(25 358)	(25 164)
(Loss)/profit before taxation		(34 957)	18 593
Taxation		9 059	(8 755)
Net (loss)/profit		(25 898)	9 838
Other comprehensive income/(loss) net of tax			
Items that may be reclassified subsequently to profit or loss:		13 499	(20 964)
Gain/(loss) on accrual of derivative cash flow hedge	4	18 748	(29 117)
Deferred tax reversal on derivative cash flow hedge	4	(5 249)	8 153
Total comprehensive loss		(12 399)	(11 126)
Net (loss)/profit attributable to:		(25 898)	9 838
– Equity holders of Andulela		(23 630)	6 557
– Non-controlling interest		(2 268)	3 281
Total comprehensive loss attributable to:		(12 399)	(11 126)
– Equity holders of Andulela		(12 346)	(10 967)
– Non-controlling interest		(53)	(159)
Ordinary shares in issue (millions)*		87,64	87,64
Weighted average number of ordinary shares in issue (millions)*		87,64	87,64
Headline (loss)/earnings		(19 934)	6 194
– Attributable net (loss)/profit		(23 630)	6 557
– *Add back:* Loss/gain on sale and scrapping of plant and equipment net of deferred taxation		3 696	(363)
(Loss)/earnings and diluted (loss)/earnings per ordinary share (cents)*		(26,96)	7,48
Headline (loss)/earnings and diluted headline (loss)/earnings per ordinary share (cents)*		(22,74)	7,07
Dividends per ordinary share (cents)		–	–

** The (loss)/earnings and the headline (loss)/earnings per ordinary share are 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 are 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 December 2014 and 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, have been calculated after taking 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 statement of cash flows

	REVIEWED Year ended 31 December 2014 R'000	AUDITED Year ended 31 December 2013 R'000
Cash flows from:		
Operating activities	**5 238**	33 985
Investing activities	**(14 353)**	(9 121)
Financing activities	**(7 086)**	(18 680)
Change in cash and equivalents	**(16 201)**	6 184
Opening cash and equivalents	**35 705**	29 521
Closing cash and equivalents	**19 504**	35 705

Condensed consolidated statement of changes in equity

	REVIEWED Year ended 31 December 2014 R'000	AUDITED Year ended 31 December 2013 R'000
Opening balances	**454 051**	470 906
Movements for the period:		
– Net (loss)/profit for the year attributable to equity holders of Andulela	**(23 631)**	6 557
– Cash flow hedge reserve net of deferred tax	**11 283**	(17 524)
– Non-controlling interest	**(709)**	(5 888)
Closing balances	**440 993**	454 051

Notes to the reviewed provisional condensed consolidated financial statements

BASIS OF PREPARATION

The reviewed provisional condensed consolidated financial statements are prepared in accordance with the the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of the provisional condensed consolidated financial statements are in terms of IFRS and consistent with those of the annual financial statements for the year ended 31 December 2013. The directors take responsibility for the preparation of the provisional condensed financial statements based on the underlying financial information. These results were prepared under the supervision of Pieter de Jager, the Group Chief Financial Officer.

1. PLANT AND EQUIPMENT

	REVIEWED **Year ended 31 December 2014 R'000**	**AUDITED** Year ended 31 December 2013 R'000
Opening balance	**318 301**	326 498
Additions	**14 491**	11 779
Disposals and loss on scrapping of plant and equipment	**(5 269)**	(2 154)
Depreciation	**(19 079)**	(17 822)
Plant and equipment at carrying value	**308 444**	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 31 December 2014 has been tested for impairment and the Board is satisfied that no impairment is required for the year ended 31 December 2014.

3. STATED CAPITAL

	REVIEWED **Year ended 31 December 2014 R'000**	**AUDITED** Year ended 31 December 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

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 IAS 39, the cash flow hedge was recognised as a hedging instrument at fair value for the first time in the statement 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 year ended 31 December 2014, a R13,5 million gain (2013: R20,9 million loss) after deferred tax has been recognised in other comprehensive income and a decrease in the cash flow hedge reserve of R11,3 million, net of non-controlling interests, in the statement of financial position. The loss realised and netted off against the revenue for the year was R18,1 million for the year ended 31 December 2014 (2013: R11,2 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 R298,0 million as at 31 December 2014 compared to R295,5 million as at 31 December 2013, and can be summarised as follows:

	REVIEWED Year ended 31 December 2014 R'000	**AUDITED** Year ended 31 December 2013 R'000
Absa Bank Limited*	**171 650**	193 400
Reichmans Capital Proprietary Limited	**96 278**	72 352
Thunder Rate Investments Proprietary Limited	**29 474**	29 121
The Rafik Mohamed Family Trust	**630**	630
Total borrowings	**298 032**	295 503
Less: Short-term borrowings	**218 282**	183 853
Non-current liabilities	**79 750**	111 650

** R60 million of the ABSA debt is a revolving credit facility which is renewable annually. As at the date of these financial statements, the discussions for the renewal of the facility are still in progress.*

6. FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and liabilities which are not measured at fair value if the carrying amount approximates the fair value.

	CARRYING VALUE 2014 – REVIEWED			
	Loans and receivables R'000	**Amortised cost R'000**	**Fair value R'000**	**Total R'000**
Financial assets not measured at fair value				
Cash and cash equivalents	**19 504**			**19 504**
Trade and other receivables	**154 353**			**154 353**
Financial liabilities measured at fair value				
Derivative financial instrument – cash flow hedge*			**(90 215)**	**(90 215)**
Financial liabilities not measured at fair value				
Preference shares		**(25 371)**		**(25 371)**
Borrowings		**(298 032)**		**(298 032)**
Trade and other payables		**(94 771)**		**(94 771)**
Total	**173 857**	**(418 174)**	**(90 215)**	**(334 532)**

	CARRYING VALUE 2013 – AUDITED			
	Loans and receivables R'000	Amortised cost R'000	Fair value R'000	Total R'000
Financial assets not measured at fair value				
Cash and cash equivalents	35 705			35 705
Trade and other receivables	146 223			146 223
Financial liabilities measured at fair value				
Derivative financial instrument – cash flow hedge*			(108 962)	(108 962)
Financial liabilities not measured at fair value				
Preference shares		(33 361)		(33 361)
Borrowings		(295 503)		(295 503)
Trade and other payables		(60 651)		(60 651)
Total	181 928	(389 515)	(108 962)	(316 549)

* *Derivative financial instrument – cash flow hedge: The fair value of the derivative financial liability is a level 2 recurring fair value measurement. The fair value of the cash flow hedge is obtained directly from the service provider and is calculated as the present value of the estimated future cash flows based on the observable commodity prices and current exchange rates.*

7. MATERIAL RELATED-PARTY TRANSACTIONS AND BALANCES

	REVIEWED **Year ended 31 December 2014 R'000**	**AUDITED** Year ended 31 December 2013 R'000
Sales to related parties	**(95 886)**	(65 387)
Purchases from related parties	**80 388**	27 580
Administration and management fees paid to related parties	**1 050**	972
Interest received from related parties	**(414)**	–
Preference dividends paid to related parties	**1 582**	2 437
Rent expenses paid to related parties	**14 084**	13 362
Trade receivables	**20 611**	11 941
Loan accounts – owing to related parties	**(30 105)**	(29 752)
Cumulative redeemable preference shares	**(25 371)**	(33 361)
Trade payables	**(2 986)**	(4)

8. SEGMENT REPORTING

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

	REVIEWED **Year ended 31 December 2014 R'000**	**AUDITED** Year ended 31 December 2013 R'000
Revenue		
Tailings treatment facility	**26 683**	91 729
Steel processing plants	**1 068 507**	810 799
Total revenue	**1 095 190**	902 528
There are no sales between segments.		
(Loss)/profit after tax		
Tailings treatment facility	**(13 821)**	19 994
Steel processing plants	**(6 783)**	(3 703)
Other unallocated	**(5 294)**	(6 453)
Total (loss)/profit after tax	**(25 898)**	9 838

	REVIEWED Year ended 31 December 2014 R'000	AUDITED Year ended 31 December 2013 R'000
Assets		
Tailings treatment facility	**225 910**	270 242
Steel processing plants	**507 394**	512 731
Inter-group eliminations	**(144 067)**	(197 387)
Reportable segment assets	**589 237**	585 586
Goodwill	**418 679**	418 679
Other unallocated assets of parent	**3 364**	11 593
Total assets	**1 011 279**	1 015 858
Liabilities		
Tailings treatment facility	**270 804**	310 813
Steel processing plants	**413 107**	411 703
Inter-group eliminations	**(139 955)**	(194 327)
Reportable segment liabilities	**543 956**	528 189
Redeemable preference shares	**25 371**	33 361
Other unallocated liabilities	**958**	259
Total liabilities	**570 286**	561 809

REVIEW CONCLUSION

These reviewed provisional condensed consolidated financial statements for the year ended 31 December 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.

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

N 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. N Hadjee was appointed as an independent non-executive director with effect from 1 July 2014. GR Rosenthal retired from the Board with effect from 30 September 2014 and BW Smith was appointed to the Board as an independent non-executive director and chairman of the Audit, Risk and Compliance Committee and the Remuneration Committee with effect from 1 October 2014. The current directors of the Company at the date of this report are as follows:

Name	Appointment	Name	Appointment
MJ Husain (Chairman)#	26 February 2010	BW Smith#	1 October 2014
A Kaka (CEO)	26 February 2010	PE du Preez#	1 October 2011
PC de Jager (CFO)	1 July 2014	NMS Hadjee#	1 July 2014

#*Independent non-executive.*

FINANCIAL REVIEW

Andulela's provisional results for the year ended 31 December 2014 reflect a headline loss of R19,9 million compared to a headline profit of R6,2 million for the comparative year ended 31 December 2013. As a result of the extended platinum sector strike, discussed in more detail below, Kilken posted its first-ever net loss after tax since its acquisition in 2008 for the year ended 31 December 2014 in the amount of R13,8 million compared to a profit of R20,0 million in 2013.

PRSM's further strategic restructuring costs and a one-month strike in the steel sector resulted in the loss after tax increasing from R3,7 million for the year ended 31 December 2013 to R6,8 million for the current year.

The strengthening of the Rand against the US Dollar and the relatively higher average PGM pricing at the end of 2014 had an overall positive effect on Kilken's cash flow hedge position at year-end, resulting in a gain after deferred tax of R13,5 million being recognised against other comprehensive income. Kilken realised a net hedge settlement loss totalling R18,1 million for the year ended 31 December 2014 (2013: R11,2 million).

As a result of the business impact from the production interruptions at Kilken, management continued to aggressively manage working capital throughout the Group to preserve cash resources. The Group retained a positive net cash position of R19,5 million for the 2014 year (2013: R35,7 million). Overall borrowing levels, however, remained high at R298,0 million as at December 2014 (2013: R295,5 million) as a result of the aforementioned production interruptions, with PRSM still being the main borrower, having external debt of R266,5 million as at 31 December 2014 (2013: R281,2 million).

Notwithstanding cash constraints resulting from the production interruptions caused by the strikes, Andulela managed to redeem R8,0 million of its redeemable preference share capital obligations during the year under review, reducing it to a balance of R25,4 million. Furthermore, 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 attains a sustainable positive cash flow from normal production. This will allow the Group to optimally preserve its cash resources.

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. There were no wage disagreements with Kilken's own workforce, but the labour strike action at all the platinum producers had a severe impact on Kilken. The effect of this was significantly reduced production, revenue and profitability compared to 2013.

Kilken experienced a slow but steady ramp-up in production after the strike in the second half of the year, however, it has not yet reached the same production output volumes as in the 2013 comparative period. Management anticipates that the ramp-up in production output from the Amandelbult plant will continue to improve to the pre-strike levels during the 2015 financial year.

Kilken's attributable revenue decreased from R91,7 million for the prior year ended December 2013 to R26,7 million for the current year ended December 2014. This resulted in a net loss after tax of R13,8 million for the current year compared to a profit after tax of R20,0 million for the 2013 financial year. Kilken, however, still managed to retain a positive cash balance of R14,1 million as at 31 December 2014 (2013: R21,3 million).

Throughout the strike period Kilken continued to service the full interest and capital repayments of the term loan as well as its contractual cash flow hedge settlements from cash reserves and continues to service its obligations from normal operational cash flows.

Following upon specialist advice, management introduced capital expenditure acquisitions of various production control components, which should result in the improvement of PGM recoveries.

PRSM

Pro Roof Steel Merchants Proprietary Limited and its subsidiaries ("**PRSM**") revenue for the year ended 31 December 2014 improved from R810,8 million in 2013 to R1 068,5 million. Earnings before interest, tax, depreciation, amortisation and impairments for the year improved from R28,6 million in 2013 to R28,9 million in 2014, which improved the cash inflow from operating activities to R25,8 million for the 2014 financial year compared to an outflow of R12,0 million for the prior year.

The improvement in the earnings before interest, tax, depreciation and amortisation is attributable to, *inter alia*, better overhead cost recoveries through increased volume throughput of selected high-demand product lines as well as improvements in production efficiencies. The net loss after tax increased from R3,7 million in 2013 to R6,8 million in 2014 mainly due to increased non-cash flow items such as depreciation and impairments. Included in the net loss after tax are non-recurring restructuring and impairment costs related to management's ongoing strategic drive to improve efficiencies and returns amounting to R5,1 million.

PRSM's most significant working capital changes from the prior year were:

i) Inventory and accounts receivable increased by 9,25% year-on-year due to increased volume of production and trading.
ii) The Reichmans Capital facility increased by R23,9 million from 31 December 2013. However, total long-term loans reduced by R38,6 million year-on-year.

Overall the domestic steel industry remains weak as a result of the global slowdown and this is expected to continue in the short-term. Management's strategic planning and operational restructuring continues to contribute towards PRSM's overall improved cash flow contribution and sustainability.

Events subsequent to the year-end

No events occurred subsequent to the year-end 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 no outstanding capital commitments at 31 December 2014 (2013: R2,3 million).

For and on behalf of the Board

Mohamed J Husain
Independent Non-executive Chairman

Ashruf Kaka
Chief Executive Officer

Sandton
24 March 2015

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 Company**" or "**the Group**")

Registered Office
108 4th Street, Parkmore, Sandton 2196

Directors
MJ Husain# *(Chairman)*, A Kaka *(CEO)*, PC de Jager *(CFO)*
BW Smith#, PE du Preez#, NMS Hadjee#
#Independent non-executive

Company Secretary
H Kazi

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