ANDULELA

Investment Holdings

Unaudited condensed consolidated interim financial statements

for the six months ended 30 June 2016

Condensed consolidated statements of financial position

	Notes	UNAUDITED 6 months ended 30 June 2016 R'000	REVIEWED 6 months ended 30 June 2015 R'000	AUDITED Year ended 31 Dec 2015 R'000
ASSETS				
Non-current assets		**735 321**	739 865	722 653
– Plant and equipment	1	**299 474**	307 837	290 286
– Goodwill	2	**418 679**	418 679	418 679
– Deferred tax asset		**17 168**	13 349	13 688
Current assets		**295 732**	256 332	275 144
– Inventory		**112 554**	86 414	79 746
– Trade and other receivables		**168 292**	155 546	177 777
– Taxation		**4 013**	4 185	4 013
– Cash and cash equivalents		**10 873**	10 187	13 608
Total assets		**1 031 053**	996 197	997 797
EQUITY AND LIABILITIES				
Capital and reserves		**447 682**	452 524	446 668
– Stated capital		**976 114**	976 114	976 114
– Revaluation reserve		**4 638**	4 638	4 638
– Cash flow hedge reserve	3	**(33 242)**	(32 920)	(30 609)
– Accumulated loss		**(563 417)**	(560 514)	(568 539)
– Non controlling interest		**63 589**	65 206	65 064
Non-current liabilities		**135 133**	176 315	154 549
– Redeemable preference share capital		**28 377**	25 371	27 529
– Derivative financial liabilities	3	**32 893**	40 668	37 151
– Borrowings	4	**19 938**	59 812	39 875
– Operating lease liabilities		**17 390**	18 044	18 113
– Deferred tax liability		**36 535**	32 420	31 881
Current liabilities		**448 338**	367 358	396 580
– Taxation		**294**	554	546
– Trade and other payables		**126 822**	95 397	115 271
– Operating lease liabilities		**1 250**	–	479
– Derivative financial liabilities	3	**22 340**	14 030	13 707
– Borrowings	4	**297 532**	257 377	266 577
Total liabilities		**583 371**	549 673	551129
Total equity and liabilities		**1 031 053**	996 197	997 797
Net asset value per share (cents)		**438,24**	441,92	435,40
Net tangible asset value per share (cents)		**38,93**	42,61	36,04

Condensed consolidated statements of comprehensive income

	Notes	UNAUDITED 6 months ended 30 June 2016 R'000	REVIEWED 6 months ended 30 June 2015 R'000	AUDITED Year ended 31 Dec 2015 R'000
Revenue		**619 514**	510 323	1 132 870
Cost of sales		**(499 983)**	(433 791)	(961 022)
Gross profit		**119 531**	76 532	171 848
Profit/(loss) from operations		**21 832**	(5 458)	5 569
Investment income		**335**	395	1 215
Profit/(loss) on sale/scrapping of plant and equipment		**–**	–	365
Impairment of plant and equipment		**–**	–	(8 463)
Finance costs		**(15 606)**	(14 152)	(28 385)
Profit/(loss) before taxation		**6 561**	(19 215)	(29 699)
Taxation		**(2 397)**	5 175	7 037
Net profit/(loss) after tax		**4 164**	(14 041)	(22 662)
Other comprehensive (loss)/income				
Items that may be reclassified subsequently to profiit or loss:		**(3 150)**	25 572	28 336
Movement in cash flow hedge	3	**(4 374)**	35 517	39 356
Deferred tax charge	3	**1 224**	(9 945)	(11 020)
Total comprehensive income		**1 014**	11 531	5 674
Net profit/(loss) attributable to:		**4 164**	(14 041)	(22 662)
– Equity holders of Andulela		**5 122**	(13 609)	(21 634)
– Non-controlling interest		**(958)**	(432)	(1 028)
Total comprehensive income/ (loss) attributable to:		**1 014**	11 531	5 674
– Equity holders of Andulela		**2 489**	7 766	2 052
– Non-controlling interest		**(1 475)**	3 765	3 622
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 profit/(loss)		**5 122**	(13 609)	(15 804)
– Attributable net profit/(loss)		**5 122**	(13 609)	(21 634)
– *Add back:* Impairment, scrapping and loss on disposal of plant and equipment		**–**	–	8 098
– Tax effect of the above		**–**	–	(2 268)
Profit/(loss) and diluted profit/(loss) per ordinary share (cents)*		**5,84**	(15,53)	(24,68)
Headline profit/(loss) and diluted headline profit/(loss) per ordinary share (cents)*		**5,84**	(15,53)	(18,03)
Dividends per ordinary share (cents)		**–**	–	–

** The profit/(loss) and diluted profit/(loss) per ordinary share and the headline profit/(loss) and diluted headline profit/(loss) per ordinary share are calculated by dividing the profit/ (loss) and diluted profit/(loss), and the headline profit/(loss) and diluted headline profit/(loss) by the weighted average number of ordinary shares in issue during the year.*

Condensed consolidated statements of cash flows

	UNAUDITED 6 months ended 30 June 2016 R'000	REVIEWED 6 months ended 30 June 2015 R'000	AUDITED Year ended 31 Dec 2015 R'000
Cash flows from:			
Operating activities	**5 476**	(19 218)	(4 063)
Investing activities	**(19 229)**	(9 256)	(10 091)
Financing activities	**11 018**	19 157	8 258
Change in cash and equivalents	**(2 735)**	(9 317)	(5 896)
Opening cash and equivalents	**13 608**	19 504	19 504
Closing cash and equivalents	**10 873**	10 187	13 608

Condensed consolidated statements of changes in equity

	UNAUDITED 6 months ended 30 June 2016 R'000	REVIEWED 6 months ended 30 June 2015 R'000	AUDITED Year ended 31 Dec 2015 R'000
Opening balances	**446 668**	440 993	440 993
Movements for the period:			
– Net profit/(loss) attributable to equity holders of Andulela	**5 122**	(13 609)	(21 634)
– Cash flow hedge reserve net of deferred tax	**(2 633)**	21 375	23 687
– Non-controlling interest	**(1 475)**	3 765	3 622
Closing balances	**447 682**	452 524	446 668

Notes to the condensed consolidated interim financial statements

BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 are prepared in accordance with the JSE Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The JSE 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 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 condensed consolidated interim financial statements for the six months ended 30 June 2016 are in terms of IFRS and consistent with those of the annual financial statements for the year ended 31 December 2015, except for the adoption of statements and amendments which became effective during the period. These standards and amendments had no material impact on the results reported on for the six months ended 30 June 2016. The directors take responsibility for the preparation of the condensed consolidated interim financial statements based on the underlying financial information. These results were prepared under the supervision of Henk Engelbrecht CA(SA), the Group Chief Financial Officer. The interim financial statements have not been reviewed or reported on by the Group's auditors.

1. PLANT AND EQUIPMENT

	UNAUDITED 6 months ended 30 June 2016 R'000	REVIEWED 6 months ended 30 June 2015 R'000	AUDITED Year ended 31 Dec 2015 R'000
Opening balance	**290 286**	308 444	308 444
Additions	**19 478**	9 410	11 244
Disposals and loss on scrapping of plant and equipment	**(246)**	(42)	(789)
Depreciation	**(10 044)**	(9 975)	(20 150)
Impairment of plant and equipment	**–**	–	(8 463)
Plant and equipment at carrying value	**299 474**	307 837	290 286

PRSM invested R19,5 million in plant and equipment in the past six months as part of its strategy to replace ageing equipment and to expand its business.

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 2016 has been considered for impairment and the board is satisfied that no impairment is required.

3. CASH FLOW HEDGE

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 six months ended 30 June 2016, a R3,1 million loss (June 2015: R25,6 million gain) after deferred tax has been recognised in other comprehensive income and an increase in the cash flow hedge reserve from December 2015 to June 2016 of R2,6 million, net of non-controlling interests, in the statement of financial position. The loss realised and netted off against the revenue was R7,8 million for the six months ended 30 June 2016 (June 2015: R7,5 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.

4. BORROWINGS

Total borrowings of the Group amounted to R317,5 million as at 30 June 2016 compared to R317,2 million as at 30 June 2015, and can be summarised as follows:

	UNAUDITED 6 months ended 30 June 2016 R'000	REVIEWED 6 months ended 30 June 2015 R'000	AUDITED Year ended 31 Dec 2015 R'000
Absa Bank Limited	**119 813**	155 700	139 750
Reichmans Capital Proprietary Limited	**167 552**	131 385	136 597
Thunder Rate Investments Proprietary Limited	**29 397**	29 474	29 397
The Rafik Mohamed Family Trust	**708**	630	708
Total borrowings	**317 470**	317 189	306 452
Current liabilities	**297 532**	257 377	266 577
Non-current liabilities	**19 938**	59 812	39 875

The facilities from Absa Bank are being restructured with the intention to convert the revolving credit facility of R60 million to a loan facility with a final settlement date of 30 June 2018.

The Reichmans facilities to PRSM are working capital and asset finance facilities which have been structured as short-term facilities. In the current year PRSM invested R19,5 million in plant and equipment, which was funded from short-term facilities. Over the past five years approximately R60 million was incurred on capital expenditure utilising the Reichmans facility.

5. 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 JUNE 2016 – UNAUDITED			
	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	10 873			10 873
Trade and other receivables	161 989			161 989
Financial liabilities measured at fair value				
Derivative financial instrument – cash flow hedge*			(55 233)	(55 233)
Financial liabilities not measured at fair value				
Preference shares		(28 377)		(28 377)
Borrowings		(317 470)		(317 470)
Trade and other payables		(123 162)		(123 162)
Total	172 862	(469 009)	(55 233)	(351 380)

	CARRYING VALUE JUNE 2015 – 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	10 187			10 187
Trade and other receivables	155 546			155 546
Financial liabilities measured at fair value				
Derivative financial instrument – cash flow hedge*			(54 698)	(54 698)
Financial liabilities not measured at fair value				
Preference shares		(25 371)		(25 371)
Borrowings		(317 189)		(317 189)
Trade and other payables		(93 438)		(93 438)
Total	165 733	(435 998)	(54 698)	(324 963)

	CARRYING VALUE DECEMBER 2015 – 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	13 608			13 608
Trade and other receivables	177 420			177 420
Financial liabilities measured at fair value				
Derivative financial instrument – cash flow hedge*			(50 858)	(50 858)
Financial liabilities not measured at fair value				
Preference shares		(27 529)		(27 529)
Borrowings		(306 451)		(306 451)
Trade and other payables		(114 762)		(114 762)
Total	191 028	(448 742)	(50 858)	(308 572)

** Derivative financial instrument – Cash flow hedge: The fair value of the cash flow hedge 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.*

6. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

	UNAUDITED Period ended 30 June 2016 R'000	REVIEWED Period ended 30 June 2015 R'000	AUDITED Year ended 31 Dec 2015 R'000
Sales	**(81 046)**	(48 331)	(101 622)
Purchases	**14 607**	34 615	67 597
Administration and management fees	**623**	567	850
Investment income	**–**	(125)	–
Preference dividend expense	**848**	756	1 548
Rent expense	**9 244**	8 326	17 961
Trade receivables	**31 158**	21 418	34 376
Loan accounts – owing to related parties	**(30 105)**	(30 105)	(30 105)
Cumulative redeemable preference shares	**(28 377)**	(25 371)	(27 529)
Trade payables	**(2 871)**	(7 744)	(18 558)

7. SEGMENT REPORTING

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

	UNAUDITED 6 months ended 30 June 2016 R'000	REVIEWED 6 months ended 30 June 2015 R'000	AUDITED Year ended 31 Dec 2015 R'000
Revenue			
Tailings treatment facility	**20 886**	22 149	47 690
Steel processing	**598 628**	488 174	1 085 180
Total revenue	**619 514**	510 323	1 132 870
There are no sales between segments.			
Profit/(loss) after tax			
Tailings treatment facility	**(5 841)**	(2 867)	(6 265)
Steel processing	**11 585**	(9 735)	(14 332)
Other unallocated	**(1 580)**	(1 439)	(2 065)
Total profit/(loss) after tax	**4 164**	(14 041)	(22 662)

	UNAUDITED 6 months ended 30 June 2016 R'000	REVIEWED 6 months ended 30 June 2015 R'000	AUDITED Year ended 31 Dec 2015 R'000
Assets			
Tailings treatment	**152 338**	196 715	179 355
Steel processing	**547 204**	509 150	510 664
Inter-group eliminations	**(87 235)**	(128 718)	(110 901)
Reportable segment assets	**612 307**	577 147	579 118
Goodwill	**418 679**	418 679	418 679
Other unallocated assets of parent	**68**	371	–
Total assets	**1 031 053**	996 197	997 797
Liabilities			
Tailings treatment	**184 149**	218 903	202 177
Steel processing	**455 664**	424 557	430 709
Inter-group eliminations	**(86 541)**	(127 752)	(110 251)
Reportable segment liabilities	**553 272**	515 708	522 635
Redeemable preference shares	**28 377**	25 371	27 529
Other unallocated liabilities of parent	**1 722**	2 594	965
Total liabilities	**583 371**	543 673	551 129

8. EVENTS SUBSEQUENT TO THE PERIOD-END

No events occurred subsequent to the period-end up to the date of this announcement which could have a material effect on the results of the Group or its subsidiaries.

9. COMMITMENTS

The Group had no outstanding capital commitments at 30 June 2016 (June 2015: RNil).

10. GOING CONCERN

The interim financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be 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.

The Group reported a net profit for the six months ended 30 June 2016 of R4,2 million and as at that date its current liabilities exceeded its current assets due largely to the short-term nature of some of its debt. Discussions are continuing with the financial institutions to restructure the debt facilities in the respective Group companies, as well as to ensure that sufficient funding is available to meet the obligations of the respective companies as and when they become due. The Company and the preference shareholder have furthermore mutually agreed to suspend the repayment of the preference shares and the accrued dividends until at least 1 January 2019.

Market conditions are expected to remain tough for the industries in which the Group operates, with continued volatility in commodity prices and the local currency against major foreign currencies.

The Group companies continue with their focus on improving efficiencies and increasing production levels, especially at Kilken where production challenges impacted on the results for the past six months.

As a result, the directors are satisfied that the Group is a going concern and applied the going concern principle.

NATURE OF THE BUSINESS

The Company is an investment holding company.

DIRECTORATE

There were no changes to the board for the six months under review. The current directors of the Company at the date of this report are as follows::

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 October 2015
BW Smith#	Appointed	1 October 2014
PE du Preez#	Appointed	1 October 2011
NMS Hadjee#	Appointed	1 July 2014

Independent non-executive.

FINANCIAL REVIEW

(References to 2015 and 2016 relates to the six-month periods to 30 June 2015 and 2016 respectively, unless indicated otherwise in the contents)

Revenue increased by 21,4% from 2015 to 2016 and profitability also improved from a headline loss of R13,6 million for 2015 to a headline profit of R5,1 million for 2016. This was mainly due to the improved revenue at PRSM during the period under review.

Borrowings remained consistent at R317 million whilst capital expenditure of R19,5 million was incurred at PRSM during the period under review.

KILKEN

The overall commodity market and the local currency remained extremely volatile during the period under review, with political uncertainty contributing significantly to the volatility during the first part of the current financial year. This, coupled with production challenges experienced by the Joint Venture and the negative impact of the cash flow hedge, contributed to the poor results of this company during the period under review.

Revenue declined from R22,1 million in 2015 to R20,9 million in 2016 with the cash flow hedge reducing revenue by R7,8 million (2015: R7,5 million) and cost of sales increasing significantly from R14,9 million in 2015 to R19,0 million in 2016 as a result of the production challenges experienced at the plant. The net result of this was an increase in the loss after tax from R2,6 million in 2015 to R5,8 million in 2016.

The volatility of the commodity prices and the local currency also resulted in a loss after tax being reflected on the cash flow hedge through other comprehensive income of R3,2 million compared to a profit after tax of R25,6 million in 2015.

As mentioned in note 4 above, the loan facilities with Absa Bank Limited are being restructured.

Management's attention is focused on resolving the production challenges at the plant to improve production and efficiency levels during the next six months, which should result in increased revenue and lower costs.

PRSM

Pro Roof Steel Merchants Proprietary Limited and its subsidiaries (**"PRSM"**) continued to improve top line revenue from R488,2 million in 2015 to R598,6 million in 2016. Earnings before interest, tax, depreciation, amortisation and impairments improved from R5,2 million in 2015 to R36,3 million in 2016.

The net profit after tax improved from a loss of R9,7 million in 2015 to a profit of R11,6 million to June 2016. Increased sales volumes and the steel price increases during the period under review, as well as continued stringent management of expenses, contributed to the improved results.

Working capital levels increased by R9 million during 2016 compared to the same period in 2015 and total interest-bearing debt levels decreased by R5 million in 2016 compared to 2015.

Capital expenditure of R19,5 million was incurred during the period under review to acquire assets as part of the PRSM group's medium-term strategy to modernise its plants.

Overall the domestic steel industry remains challenging due to the continued uncertainty in the world economy and an oversupply of steel, but PRSM managed to report good results in these difficult markets.

For and on behalf of the board

Mohamed J Husain
Independent non-executive chairman

Ashruf Kaka
Chief executive officer

Sandton
26 September 2016

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: Mohamed Husain[#] *(Chairman)*; Ashruf Kaka *(CEO)*; Henk Engelbrecht *(CFO)*; Brian Smith[#]; Pieter du Preez[#]; Naeem Hadjee[#]
[#]Independent non-executive

Company Secretary: Gillian Miller

Auditors: BDO South Africa Incorporated, 22 Wellington Road, Parktown, Johannesburg 2193

Transfer Secretaries: Trifecta Capital Proprietary Limited, Trifecta Capital House
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