ANDULELA
Investment Holdings

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

Condensed consolidated statements of financial position

	Notes	Reviewed 31 Dec 2019 R'000	Audited 31 Dec 2018 R'000
Assets			
Non-current assets		**321 963**	371 453
Property, plant and equipment	1	**265 284**	300 376
Goodwill	2	**56 679**	56 679
Deferred tax asset		**–**	14 398
Current assets		**392 509**	304 426
Inventory		**128 536**	147 024
Trade and other receivables		**247 223**	151 339
Cash and cash equivalents		**16 750**	6 063
Total assets		**714 472**	675 879
Equity and liabilities			
Equity			
Issued capital		**976 114**	976 114
Accumulated loss		**(879 238)**	(893 887)
Total equity attributable to the owners of the parent		**96 876**	82 227
Non-controlling interest		**13 784**	5 989
Total equity		**110 660**	88 216
Liabilities			
Non-current liabilities		**249 040**	125 711
Borrowings	3	**179 138**	34 448
Redeemable preference shares capital	4	**34 024**	32 421
Lease liabilities		**–**	19 042
Deferred tax liability		**35 878**	39 800
Current liabilities		**354 772**	461 952
Trade and other payables		**121 139**	74 909
Borrowings	3	**205 170**	354 426
Lease liabilities		**17 311**	21 559
Bank overdraft		**11 152**	11 058
Total liabilities		**603 812**	587 663
Total equity and liabilities		**714 472**	675 879

Condensed consolidated statements of comprehensive income

	Reviewed 31 Dec 2019 R'000	Audited 31 Dec 2018 R'000
Revenue	**1 539 391**	1 287 509
Cost of sales	**(1 250 825)**	(1 061 731)
Gross profit	**288 566**	225 778
Other income	**1 679**	127
Operating expenses	**(200 591)**	(187 694)
Decrease in loss allowance	**882**	2 842
Impairment of property, plant and equipment	**(16 918)**	–
Operating profit	**73 618**	41 053
Finance income	**168**	86
Finance costs	**(40 864)**	(44 389)
Net profit/(loss) before taxation	**32 922**	(3 250)
Tax expenses	**(10 478)**	(1 152)
Profit/(loss) for the year	**22 444**	(4 402)
Other comprehensive income		
Components of comprehensive income that will be reclassified to profit or loss		
Gain on cash flow hedge	**–**	10 492
Deferred tax charge	**–**	(2 938)
Total other comprehensive income	**–**	7 554
Total comprehensive income	**22 444**	3 152
Profit/(loss) attributable to:		
– Owners of parent	**14 649**	(3 916)
– Non-controlling interests	**7 795**	(486)
	22 444	(4 402)
Comprehensive income attributable to:		
– Owners of parent	**14 649**	2 399
– Non-controlling interest	**7 795**	753
	22 444	3 152

Headline earnings/(loss) per share		
Profit/(loss) attributable to the parent	**14 649**	(3 916)
Gain on the disposal of property,plant and equipment	**–**	(27)
Impairment of property, plant and equipment	**12 181**	–
Headline earnings/(loss)	**26 830**	(3 943)
Weighted average number of ordinary shares in issue	**87 645**	87 645
Basic and diluted earnings/(loss) per share (cents)*	**16,71**	(4,47)
Headline and diluted headline earnings/(loss) per share (cents)	**30,61**	(4,49)
Dividends per share (cents)	**–**	–

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

Condensed consolidated statements of cash flows

	Reviewed 31 Dec 2019 R'000	Audited 31 Dec 2018 R'000
Cash flows from operating activities		
Operating profit	**73 618**	41 053
Adjustments for:		
Depreciation and amortisation	**30 872**	30 312
Gain on disposal of property, plant and equipment	**–**	(38)
Impairment of property, plant and equipment	**16 918**	–
Changes in working capital		
– Inventories	**18 488**	(16 707)
– Trade and other receivables	**(95 884)**	33 576
– Trade and other payables	**46 229**	(23 515)
Cash generated from operations	**90 241**	64 681
Interest income	**168**	86
Finance charges	**(38 686)**	(38 371)
Income tax received	**–**	254
Net cash from operating activities	**51 723**	26 650
Cash flows from investing activities		
Purchase of property, plant and equipment	**(12 698)**	(5 682)
Proceeds from disposal of property, plant and equipment	**–**	60
Net cash from investing activities	**(12 698)**	(5 622)
Cash flows from financing activities		
Proceeds from borrowings	**144 690**	45 045
Repayment of borrowings	**(149 256)**	(44 311)
Preference dividend paid	**(69)**	(69)
Repayment of lease liabilities	**(23 797)**	(21 975)
Net cash applied to financing activities	**(28 432)**	(21 310)
Total cash movement for the year	**10 593**	(282)
Cash at the beginning of the year	**(4 995)**	(4 713)
Cash at the end of the year	**5 598**	(4 995)

Condensed consolidated statements of changes in equity

	Reviewed 31 Dec 2019 R'000	Audited 31 Dec 2018 R'000
Opening balance	**88 216**	85 064
Movements for the year		
– Profit/(loss) for the year	**14 649**	(3 916)
– Cash flow hedge reserve	**–**	6 315
– Non-controlling interest	**7 795**	753
Closing balances	**110 660**	88 216

Notes to the reviewed provisional condensed consolidated financial statements

Basis of preparation

The condensed consolidated financial statements were 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 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 condensed consolidated financial statements for the year ended 31 December 2019 are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

The directors are not aware of any matters or circumstances arising subsequent to 31 December 2019 that require additional disclosure or adjustment to the financial statements. The directors take responsibility for the preparation of the condensed consolidated financial statements based on the underlying financial information. These results were prepared by Henk Engelbrecht CA(SA), the Group Chief Financial Officer. The provisional annual financial statements have been reviewed by the Group's auditors and an extract of their report is set out in note 11 below.

1. Property, plant and equipment

	Reviewed 31 Dec 2019 R'000	Audited 31 Dec 2018 R'000
Opening balance	**300 376**	325 028
Additions	**12 698**	5 682
Disposals	**–**	(22)
Impairments	**(16 918)**	–
Depreciation and amortisation	**(30 872)**	(30 312)
Closing balance	**265 284**	300 376

Property, plant and equipment includes the right-of-use assets in terms of IFRS 16 – Leases.

2. Goodwill

The goodwill 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.

A discounted cash flow ("DCF") model was constructed by management based on the value in use to determine the fair value (recoverable amount) for Kilken Imbani JV, using a discount rate of 19.4% (2018: 17,6%) based on the risk-free rate adjusted for market, sector and project-specific risks and an annual platinum group metals ("PGM") production rate of 14 275 ounces (2018: 11 574 ounces) (extrapolated from historic production volumes). Forecast PGM metals prices and the USD/ZAR exchange rates were derived from a consensus forecast from reputable external market analysts. The DCF valuation model takes into account attributable net cash flows from the operation for 35 years, which is consistent with the industry standard for this type of valuation and is also consistent with the life-of-mine agreement in place with Rustenburg Platinum Mines. No increase has been applied for the tailings feed in the long-term cash flow forecasts, as the operation has no control over the tailings feed received from the mine. As at 31 December 2019 the updated DCF valuation resulted in an estimated recoverable amount of R372 million for the Group's effective interest in the cash-generating unit and no further impairment was therefore required against the goodwill for the year under review.

Production levels improved significantly over the twelve month period to 31 December 2019 compared to the comparable period in 2018, and the average basket price per kilogram of PGM increased by more 37% from 2018 to 2019. Overall, the tailings operation significantly improved its results from 2018 to 2019.

3. Borrowings

Total borrowings of the Group amounted to R384,3 million as at 31 December 2019 compared to R388,9 million as at 31 December 2018, and can be summarised as follows:

	Reviewed 31 Dec 2019 R'000	Audited 31 Dec 2018 R'000
Absa Bank Limited	**–**	3 946
Investec Bank Limited	**348 549**	347 480
Waleed Investment Holdings Proprietary Limited	**35 759**	37 448
Total borrowings	**384 308**	388 874
Current borrowings	**(205 170)**	(354 426)
Non-current borrowings	**179 138**	34 448

The borrowings of Pro Roof Steel Merchants ("PRSM") were restructured at the end of August 2019 from an asset based finance facility to a term loan of R150 million, bearing interest at 0,5% below the prime overdraft rate and repayable over seven years, and an overdraft facility of R220 million, bearing interest at the same rate as the term loan and with an expiry date of 30 August 2020.

4. Redeemable preference shares

The Company and the preference shareholder mutually agreed to suspend the repayment of the redeemable preference share capital and the accrued preference dividends until at least 1 January 2022. The redeemable preference share capital and the accrued preference dividends are therefore classified as non-current liabilities.

5. Financial instruments

The Derivative financial liability (cash flow hedge) in 2018 was measured at fair value and recorded as other comprehensive income in the Statement of Comprehensive Income. The fair value of the derivative financial liability was a level 2 recurring fair value measurement and was obtained directly from the service provider, calculated as the present value of the estimated future cash flows based on the observable commodity prices and current exchange rates. The cash flow hedge was settled in September 2018.

All other financial assets and liabilities are measured at amortised cost which approximates their carrying values.

6. Material related party transactions and balances

	Dec 2019 R'000	Dec 2018 R'000
Sales	**(98 134)**	(85 665)
Purchases	**63 035**	53 327
Fees paid	**18 943**	3 648
Preference dividend expense	**1 672**	1 645
Lease expenses	**26 101**	24 138
Trade receivables	**21 867**	9 556
Trade payables	**(3 334)**	(4 271)
Borrowings	**(35 759)**	(37 448)
Redeemable preference shares	**(34 024)**	(32 421)

7. Segment reporting

The Group Chief Executive Officer is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Group Chief Executive Officer for the purposes of allocating resources and assessing performance and risk. The Group has two main reportable segments, namely the production of Platinum Group Metals at the Kilken Platinum tailings treatment facility and the processing and distribution of steel products by the Pro Roof Steel Merchants group.

	31 Dec 2019 R'000	31 Dec 2018 R'000
Revenue		
– Tailings treatment facility	**154 437**	56 597
– Steel processing plant	**1 384 954**	1 230 912
Total revenue	**1 539 391**	1 287 509
There are no sales between segments.		
Profit/(loss) after tax		
– Tailings treatment facility	**47 499**	(2 964)
– Steel processing plant	**(20 840)**	4 801
– Other unallocated	**(4 215)**	(6 239)
	22 444	(4 402)
Assets		
– Tailings treatment facility	**113 568**	60 672
– Steel processing plant	**591 261**	594 959
– Other unallocated assets	**171**	33 492
– Inter-group eliminations	**(47 207)**	(69 923)
Reportable segment assets	**657 793**	619 200
Goodwill – tailings treatment facility	**56 679**	56 679
	714 472	675 879
Liabilities		
– Tailings treatment facility	**91 512**	86 115
– Steel processing plant	**513 096**	495 954
– Other unallocated liabilities	**13 853**	44 562
– Inter-group eliminations	**(48 673)**	(71 389)
Reportable segment liabilities	**569 788**	555 242
Redeemable preference shares	**34 024**	32 421
	603 812	587 663

8. Events subsequent to the year-end

The directors are not aware of any matter or circumstance arising since the end of the financial year and up to the date on which the reviewed provisional condensed consolidated financial statements were authorised for issue that could have a material effect on the financial position of the Group.

Kilken Platinum received a notice of a force majeure at the Anglo Converter Plant ("ACP") in March 2020, to the extent that Rustenburg Platinum Mines Limited ("RPM") would be unable to process material leading to a build-up of work-in-progress inventory ahead of the ACP being restored. Management assessed the potential impact this may have on the operations of Kilken and does not expect it to have a material effect on the results of the Group. Management continues to engage with RPM on the process of repairing the ACP and any further potential effects it may have on the business of Kilken Platinum and the Group.

Countries and businesses globally have been affected by the outbreak of the COVID-19 virus, forcing many countries to implement actions aimed at containing the spread of this virus. South Africa is no exception, and has been reporting increased numbers of people affected by the virus.

On 23 March 2020 the President of South Africa announced a lock down of the country for a period of three weeks from 27 March 2020 to 16 April 2020, in terms of which all non-essential businesses have to cease operations during this period.

The impact of this is that the subsidiaries of the Group will not operate during this period with the consequent loss of production and revenues.

Management assessed the impact of the above on the cash flows of the Group and based on the available information, is satisfied that the Group companies have sufficient access to cash resources and facilities through arrangements with some of their suppliers and their financiers to meet their obligations as and when they become due and payable.

Shareholders will be advised of any developments in either of the two events listed above that may have a material effect on the operations of the Group.

Furthermore, the controlling shareholder of the Company has made an offer to acquire all the ordinary shares in the Company not owned by it or parties related to it, and to delist Andulela from the Johannesburg Stock Exchange. The offer and potential delisting are expected to be finalised by the end of May 2020.

9. Commitments

The Group had no outstanding capital commitments as at 31 December 2019 (2018: None).

10. Going concern

The reviewed provisional condensed consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This 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 profit after tax of R22,4 million for the year ended 31 December 2019, and its current assets exceeds its current liabilities.

The Group has access to sufficient financial facilities and cash resources to meet its obligations as and when they become due over the next twelve months. The Directors are therefore satisfied with applying the going concern principle.

11. Review by independent auditors

The Group's auditors, BDO South Africa Incorporated, reviewed the provisional results for the year ended 31 December 2019 and issued an unqualified review conclusion on the provisional results. A copy of their report is available for inspection at the registered office of the Company.

Nature of the business

The Company is an investment holding company with controlling interests in the group companies.

Directors and company secretary

There were no changes to the board of directors or the company secretary during the year or since the financial year-end of the Group.

Financial review

Revenue increased by 19,6% from 2018 to 2019, mainly due to the improved performance by Kilken Platinum during the year under review.

The Group generated an attributable profit after tax of R14,6 million for the year ended 31 December 2019 (2018: loss of R3,9 million) and a headline profit of R26,8 million in 2019 compared to a headline loss of R3,9 million in 2018.

Overall Group debt reduced marginally from R388,9 million in 2018 to R384,3 million in 2019.

Kilken

Kilken Platinum produced a profit after tax of R46,0 million for the year to 31 December 2019, compared to a loss after tax of R3,0 million in 2018. The major contributors to the improved results were higher production levels increasing by 32% from 2018, the average basket prices for the Platinum Group Metals ("PGM") being 37% higher than in 2018, as well as the final settlement of the cash flow hedge in September 2018. The above contributed to an increase in revenue of 173% from R56.6 million in 2018 to R154,4 million in 2019, while tight management of operating expenditure further contributed to the improved results.

The improved production levels, together with the current improved commodity prices in Rand terms, indicate that the company should be able to report an improvement in profitability in the 2020 financial year, barring any unexpected event in the mining industry which could affect production and pricing.

The above does not constitute a profit forecast and has not been reviewed by the auditors of the Group.

Pro Roof Steel Merchants

Overall market conditions remained tough in the steel industry as the political uncertainty continued to hamper the investments in infrastructure and related projects. This, with a continued oversupply of steel products internationally also contributed to lower sales prices and pressure on gross margins.

Although PRSM managed to increase revenue by 12,5% from 2018 to 2019, the lower margins, impairment of plant and equipment and high finance charges contributed to the loss this group incurred in 2019.

The banking facilities of PRSM with Investec Bank were restructured during August 2019, in terms of which R150 million of the facility was converted into a long term loan facility with a restructured repayment plan.

The 2020 financial year started on a positive note for PRSM with better than expected revenue in the first two months of the year, This, together with tight management of costs, should contribute to improved performance from this company for the year ahead.

The above does not constitute a profit forecast and has not been reviewed by the auditors of the Group.

For and on behalf of the Board

Mohamed Husain	**Ashruf Kaka**
Independent non-executive Chairman	*Chief Executive Officer*

Sandton
31 March 2020

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)*; JHP Engelbrecht *(CFO)*;
BW Smith#; PE du Preez#; NMS Hadjee#
Independent non-executive

Company Secretary: Ms GH Miller

Auditors: BDO South Africa Incorporated, Wanderers Office Park
52 Corlett Drive, Illovo, 2196

Transfer secretaries: 4 Africa Exchange Registry Proprietary Limited, Hill on Empire,
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