ANDULELA
Investment Holdings

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Andulela Investment Holdings Limited
Incorporated in the Republic of South Africa
Registration number: 1950/037061/06
Share code: AND • ISIN: ZAE 000125894
"Andulela" or "the company"

Directors
Mohamed J Husain# *(Chairman)*; Ashruf Kaka *(CEO)*; Pieter C de Jager *(CFO)*; Graham R Rosenthal#; Pieter E du Preez#; Ismail Kajee; Nosipho Molope# (#Independent non-executive)

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

Company Secretary
Humeira 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

www.andulelaholdings.com

Condensed consolidated statements of financial position

	Notes	REVIEWED As at ended 31 December 2012 R'000	AUDITED As at ended 31 December 2011 R'000
ASSETS			
Non-current assets		**758 392**	827 686
Plant and equipment	1	**326 498**	409 007
Goodwill		**418 679**	418 679
Deferred tax asset		**13 215**	–
Current assets		**278 000**	278 437
Inventory		**62 960**	54 906
Trade and other receivables		**181 083**	165 276
Taxation		**3 395**	–
Cash and cash equivalents		**29 521**	58 255
Non-current assets held for sale	1	**1 041**	–
Total assets		**1 036 392**	1 106 123
EQUITY AND LIABILITIES			
Capital and reserves		**470 906**	584 600
Stated capital	2	**976 114**	976 114
Revaluation reserve		**4 638**	4 638
Cash flow hedge reserve	3	**(48 055)**	–
Accumulated loss		**(529 830)**	(476 618)
Non controlling interest		**68 039**	80 466
Non-current liabilities		**285 715**	308 468
Redeemable preference share capital		**38 327**	60 000
Deferred tax liability		**40 273**	78 676
Derivative financial liabilities	3	**73 715**	–
Borrowings		**133 400**	169 792
Current liabilities		**279 771**	213 055
Taxation		**10 976**	2 048
Redeemable preference share capital		**15 780**	15 000
Derivative financial liabilities	3	**6 130**	–
Borrowings		**151 864**	87 627
Trade and other payables		**95 021**	108 380
Total equity and liabilities		**1 036 392**	1 106 123
Net asset value per share (cents)		**9,19**	11,53
Net tangible asset value per share (cents)		**1,21**	3 ,53

Condensed consolidated statements of comprehensive income

	Notes	REVIEWED Year ended 31 December 2012 R'000	AUDITED Year ended 31 December 2011 R'000
Gross revenue		**1 471 972**	542 788
Cost of sales		**(1 281 040)**	(403 524)
Gross profit		**190 932**	139 264
Profit from operations		**26 230**	59 681
Investment income		**1 317**	452
Impairment of plant and equipment	1	**(47 262)**	–
Loss on scrapping of plant and equipment	1	**(20 769)**	–
Finance costs		**(27 910)**	(9 735)
(Loss)/profit before taxation		**(68 394)**	50 398
Taxation		**18 508**	(17 794)
Net (loss)/profit for the year		**(49 886)**	32 604
Other comprehensive (loss)/income net of tax for the year		**(57 488)**	4 637
Gains on revaluation of plant and equipment		**–**	6 441
Deferred tax charge on revaluation of plant and equipment		**–**	(1 804)
Loss on accrual of derivative cash flow hedge	3	**(79 845)**	–
Deferred tax reversal on derivative cash flow hedge	3	**22 357**	–
Total comprehensive (loss)/income for the year		**(107 374)**	37 241
Net (loss)/profit for the year attributable to:		**(49 886)**	32 604
– Equity holders of Andulela Investment Holdings Limited		**(53 212)**	24 955
– Non-controlling interest		**3 326**	7 649
Total comprehensive (loss)/income for the year attributable to:		**(107 374)**	37 241
– Equity holders of Andulela Investment Holdings Limited		**(101 266)**	28 831
– Non-controlling interest		**(6 108)**	8 410
Ordinary shares in issue (millions)		**4 382**	4 371
Weighted average number of ordinary shares in issue (millions)		**4,376**	4 091
Headline (loss)/earnings		**(4,049)**	24 955
– Attributable net (loss)/profit for the year		**(53 212)**	24 955
– Add back: Impairment, scrapping and loss on sale of plant and equipment net of deferred taxation		**49,163**	–
(Loss)/earnings and diluted (loss)/earnings per ordinary share (cents)*		**(1,22)**	0,61
Headline (loss)/earnings and diluted headline (loss)/earnings per ordinary share (cents)*		**(0,09)**	0,61
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.

Condensed consolidated statements of cash flows

	REVIEWED Year ended 31 December 2012 R'000	AUDITED Year ended 31 December 2011 R'000
Cash flows from:		
Operating activities	**(15 836)**	5 861
Investing activities	**(9 523)**	(79 185)
Financing activities	**(3 375)**	129 158
Change in cash and equivalents	**(28 734)**	55 834
Opening cash and equivalents	**58 255**	2 421
Closing cash and equivalents	**29 521**	58 255

Condensed consolidated statements of changes in equity

	REVIEWED Year ended 31 December 2012 R'000	AUDITED Year ended 31 December 2011 R'000
Opening balances	**584 600**	379 178
Movements for the year:		
– Net (loss)/profit for the year attributable to equity holders of Andulela Investment Holdings Limited	**(53 212)**	24 954
– Shares issued	**–**	167 914
– Vendor shares		4 633
– Revaluation net of deferred tax	**–**	3 877
– Cash flow hedge reserve net of deferred tax	**(48 055)**	–
– Non-controlling interest	**(12 428)**	4 044
Closing balances	**470 905**	584 600

Notes to the reviewed provisional condensed consolidated financial results

BASIS OF PREPARATION

The provisional condensed consolidated financial information for the year ended 31 December 2012 has 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 condensed consolidated interim financial information is presented in South African rands, 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 that are consistent with those accounting policies of the previous financial year. These results were prepared under the supervision of Pieter de Jager, the Group Chief Financial Officer.

	REVIEWED **Year ended 31 December 2012** **R'000**	**AUDITED** Year ended 31 December 2011 R'000
1. PLANT AND EQUIPMENT		
Opening balance	**409 007**	34 060
Plant and equipment acquired through business combinations	**–**	379 462
Revaluation of plant and equipment	**–**	6 441
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	**9 818**	801
Disposals	**(540)**	–
Depreciation	**(22 715)**	(11 757)
Plant and equipment at carrying value	**326 498**	409 007

During the year under review Pro Roof Steel Merchants (Pty) Ltd and its subsidiaries ("PRSM group") 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. The PRSM group also scrapped plant and equipment to the value of R21 million at year end, which has no material future economic benefits. Negotiations are at an advanced stage to dispose of a marginal and non-strategic manufacturing and distribution operation in Nelspruit as a going concern, and its plant and equipment is accordingly classified as non-current assets held for sale. Management reviewed and amended the residual value and useful lives of the plant and equipment during the year.

	Year ended 31 December			
	2012 Number of shares R'000	2011 Number of shares R'000	**2012 R'000**	2011 R'000
2. STATED CAPITAL				
2.1 Ordinary no par value shares				
Authorised				
Ordinary no par value shares (2011: Ordinary shares of R0,01 each)	**5 500 000**	5 500 000	**–**	55 000
Issued				
Opening balance	**4 382 242**	3 950 660	**976 114**	39 506
Issued	**–**	420 000	**–**	4 200
Vendor shares issuable	**–**	11 582	**–**	116
Closing balance	**4 382 242**	4 382 242	**976 114**	43 822

	REVIEWED Year ended 31 December 2012 R'000	**AUDITED** Year ended 31 December 2011 R'000
2.2 Share premium		
Opening balance	**–**	764 061
Issued at a premium of R0,39 per share (2011)	**–**	163 800
Vendor shares issuable at a premium of R0,39 per share (2011)	**–**	4 517
Share issue costs	**–**	(86)
Closing balance	**–**	932 292
Total stated capital	**976 114**	976 114

3. DERIVATIVE FINANCIAL LIABILITY

Kilken Platinum (Pty) Ltd ("Kilken") hedged 30% of its cash flow from production revenue of Platinum, Palladium and Gold in favour of a financier in line with the 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, R79,8 million of the cash flow hedge has been recognised as a hedging instrument at fair value in the statements of financial position at the reporting date, 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. 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. BUSINESS COMBINATIONS

With effect from 1 September 2011, the group acquired a 100% controlling interest in the PRSM Group through the issue of a total of 431,5 million ordinary shares as purchase consideration, at an issue price of 40 cents per share, based on the consolidated tangible net asset value ("NAV") of PRSM and its subsidiaries as at 31 August 2011. The final 11,58 million ordinary shares, which were included as vendor shares in the Statement of Changes in Equity of 2011, were issued to the sellers on 11 July 2012 pursuant to the fulfilment of all suspensive conditions. The transaction costs incurred in the acquisition of PRSM in 2011 amounted to R1,48 million.

The following table summarises the fair value of the consideration paid and the fair value of the assets acquired and liabilities assumed, recognised at the acquisition date of PRSM (2011).

	REVIEWED **Year ended 31 December 2012 R'000**	**AUDITED** Year ended 31 December 2011 R'000
Equity instruments issued in respect of acquisition	–	168 000
Equity instruments still to be issued in respect of acquisition (vendor shares)	–	4 633
	–	172 633
Fair value of net assets acquired	–	172 633
Plant and equipment	–	379 462
Bank and cash	–	3 003
Inventory	–	48 897
Trade and other payables	–	145 198
Non-current liabilities	–	(180 860)
Bank overdraft	–	(81 386)
Trade and other payables	–	(141 681)
Goodwill arising on acquisition of controlling interest	–	–

Financial information in respect of the subsidiaries

	PRSM Group		Kilken Platinum Group*	
	31 December 2012 12 months R'000	31 December 2012 4 months R'000	**31 December 2012 12 months R'000**	31 December 2012 12 months R'000
Summarised statement of financial position				
Non-current assets	**292 320**	371 486	**232 167**	37 521
Current assets	**209 328**	227 352	**60 468**	49 681
Equity and reserves	**(104 733)**	(169 743)	**4 831**	(71 022)
Non-current liabilities	**(225 047)**	(239 401)	**(207 115)**	(9 067)
Current liabilities	**(171 868)**	(189 694)	**(90 351)**	(7 113)

* Kilken Platinum (Pty) Ltd and its joint venture with Imbani Minerals and its subsidiary Kinlela (Pty) Ltd.

4. BUSINESS COMBINATIONS (continued)
Financial information in respect of the subsidiaries (continued)

	PRSM Group		Kilken Platinum Group*	
	31 December 2012 12 months R'000	31 December 2012 4 months R'000	**31 December 2012 12 months R'000**	31 December 2012 12 months R'000
Results of operations				
Revenue	**1 372 888**	419 228	**99 084**	123 560
Operating (loss)/profit	**(9 511)**	1 165	**37 334**	65 253
Impairment of plant and equipment	**(47 262)**	–	**–**	–
Loss on scrapping of plant and equipment	**(20 769)**	–	**–**	–
Finance income	**467**	335	**8 168**	95
Finance costs	**(16 529)**	(5 330)	**(15 006)**	–
(Loss)/profit before taxation	**(93 604)**	(3 830)	**30 496**	65 348
Taxation	**28 594**	940	**(10 360)**	(18 734)
(Loss)/profit for the year/period	**(65 010)**	(2 890)	**20 136**	46 614

* Kilken Platinum (Pty) Ltd and its joint venture with Imbani Minerals and its subsidiary Kinlela (Pty) Ltd.

	REVIEWED	**AUDITED**
	Year ended 31 December 2012 R'000	Year ended 31 December 2011 R'000
5. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES		
Sales to related parties		
– E-Tile (Pty) Ltd	**(41 714)**	(15 714)
– Changing Tides 74 (Pty) Ltd	**(14 616)**	(2 039)
– Pro Steel International Trading (Pty) Ltd	**(9 968)**	(3 153)
– Help-U-Build (Pty) Ltd	**(9 429)**	(4 217)
– Beautiful Connections (Pty) Ltd	**(2 135)**	–
– Thunder Rate Investments (Pty) Ltd	**(28 545)**	–
– Ferrochrome Furnaces (Pty) Ltd	**(28 545)**	–
– Mixshelf 1119 CC	**(156)**	(217)
Purchases from related parties		
– Tailing Technologies (Pty) Ltd	**14 143**	16 341
– GTS Technologies (Pty) Ltd	**14 895**	15 449
– Pro Steel International Trading (Pty) Ltd	**706**	217
– E-Tile (Pty) Ltd	**6 273**	1 296
– Mono Steel Works	**–**	49
– Changing Tides 74 (Pty) Ltd	**8**	–
– Help-U-Build (Pty) Ltd	**6**	–
– Beautiful Connections (Pty) Ltd	**125**	–

	REVIEWED Year ended 31 December 2012 R'000	AUDITED Year ended 31 December 2011 R'000
5. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (continued)		
Administration and management fees paid to related parties		
– Akzam Management Services (Pty) Ltd	**900**	1 005
Preference dividends paid to related parties		
– Newshelf 1005 (Pty) Ltd	**3 762**	4 388
Rent expenses to related parties		
– Sheerprops 97 (Pty) Ltd	**7 247**	7 056
– Wideprops 1087 CC	**3 507**	2 899
– Changing Tides 74 (Pty) Ltd	**4 060**	2 147
– Windfall Trading (Pty) Ltd	**1 332**	71
Trade receiveables		
– Changing Tides 74 (Pty) Ltd	**2 791**	474
– E-Tile (Pty) Ltd	**3 530**	3 773
– Pro Steel International Trading (Pty) Ltd	**1 534**	990
– Help-U-Build (Pty) Ltd	**1 830**	2 064
– Beautiful Connections (Pty) Ltd	**1 616**	–
– Thunder Rate Investments (Pty) Ltd	**13 996**	–
– Ferrochrome Furnaces (Pty) Ltd	**13 996**	–
– Mixshelf 1119 CC	**49**	247
Loan accounts – Owing to related parties		
– The Rafik Mohamed Trust	**(630)**	(647)
– Thunder Rate Investments (Pty) Ltd	**(37 737)**	(36 940)
Cumulative redeemable preference shares		
– Newshelf 1005 (Pty) Ltd	**(54 107)**	(75 000)
Trade payables		
– E-Tile (Pty) Ltd	**(305)**	(46)
– Mixshelf 1119 CC	**–**	(1 099)
– Changing Tides 74 (Pty) Ltd	**(832)**	–
– Pro Steel International Trading (Pty) Ltd	**(178)**	–
– Beautiful Connections (Pty) Ltd	**(143)**	–
– Sheerprops 97 (Pty) Ltd	**(1 490)**	–
– Wideprops 1087 CC	**(721)**	–
– Windfall Trading (Pty) Ltd	**(285)**	–
– Tailing Technologies (Pty) Ltd	**(1 972)**	(1 424)

6. 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.

	REVIEWED	**AUDITED**
	Year ended 31 December 2012 R'000	Year ended 31 December 2011 R'000
Revenue		
Tailings treatment facility	**99 084**	123 560
Steel processing plants	**1 372 888**	419 228
Total revenue	**1 471 972**	542 788
There are no sales between segments		
(Loss)/profit after tax		
Tailings treatment facility	**20 266**	46 638
Steel processing plants	**(65 010)**	(2 890)
Other unallocated	**(5 142)**	(11 144)
Total (loss)/profit after tax	**(49 886)**	32 604
Assets		
Tailings treatment	**292 765**	87 202
Steel processing	**501 648**	598 838
Other unallocated	**241 979**	420 083
Total assets	**1 036 392**	1 106 123
Liabilities		
Tailings treatment	**297 466**	16 183
Steel processing	**396 915**	429 095
Other unallocated	**(128 895)**	76 245
Total liabilities	**565 486**	521 523

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

The current directors of the company at the date of this report are as follows:

Name	Date of appointment
M J Husain (Chairman)#	Appointed as Chairman 26 February 2010
A Kaka (CEO)	Appointed as CEO 26 February 2010
P C de Jager (CFO)	Appointed as CFO 25 October 2010
G R Rosenthal#	Appointed 26 February 2010
P E du Preez#	Appointed 1 October 2011
I Kajee	Appointed 1 October 2011
C W N Molope#	Appointed 1 July 2012

Independent non-executive

COMMENTARY

Introduction

As more fully detailed hereunder, 2012 was a year of consolidation and restructuring for the Andulela group in relation to its steel processing subsidiary. As a result mainly of the Marikana mining incident and the indirect effect of the extended mining strike action, Kilken experienced a decline in production of PGM's.

The consolidated group results for the year ending 31 December 2012 resulted in a headline loss of R4,0 million compared to headline earnings of R24,9 million reported for the year ended 31 December 2011. This is mainly attributable to an impairment and scrapping of plant and equipment totalling R68 million following an in-depth review and restructure by management of the PRSM group operations which included reassessment of the carrying values and useful lives of its production assets.

The comprehensive operational restructuring of PRSM nationally involves the closure and consolidation of smaller outlying branches, as detailed in the events subsequent to year end below.

Financial review

The results of PRSM have been consolidated for the full year under review compared to only four months in the comparative period of 2011 during which it was acquired by the Andulela group.

During the year under review the group restructured the borrowings of PRSM by procuring a R205 million, 5 year term loan bank facility into Kilken and on-lending this facility to PRSM via a new 100% owned subsidiary of Kilken called Kinlela (Pty) Ltd ("Kinlela"), in the place of previous direct funding. The aforementioned new term loan facility attracted a once-off raising fee of R5,7 million and Kilken hedged 30% of its production revenue in favour of the financiers to protect cash flows. The total cost of the production revenue hedge settlements for two months in the year amounted to R1 million.

The tailings retreatment operation at Kilken, through its joint venture with Imbani Minerals, continues to perform well overall and contributed significantly to the group's results, achieving earnings before interest, taxation and depreciation ("EBITDA") of R40,9 million.

The steel processing operations of PRSM yielded positive EBITDA of R13,3 million before adjusting for the lease smoothing (IAS 17). PRSM's loss after interest amounted to R2,7 million. The impairment and scrapping of plant and equipment as well as interest on borrowings and depreciation charges were the most significant contributors to its net loss after tax of R65 million.

All outstanding vendor shares in terms of the acquisition of PRSM were issued on 11 July 2012.

For the current year, preference share dividends on the cumulative redeemable preference shares in the amount of R3,8 million were expensed as finance costs, in accordance with the rights attaching to the preference shares. As at 31 December 2012 there were no arrear preference dividends. In accordance with the announcement on SENS dated 14 February 2012, it was agreed that the preference shares shall be redeemed on an orderly basis over an extended five year period. The company redeemed R20,9 million preference share capital during the year under review from positive operational cash flows and remains well ahead of minimum capital redemption payments.

Kilken Platinum

Kilken continues to improve its average recovery of PGMs over a number of years. During the 2012 financial year, the large scale industrial action in the mining sector impacted production. Kilken was also adversely affected by weaker PGM basket prices in the 2012 financial year compared to 2011.

The proactive maintenance regime continued to prove successful in ensuring production availability and up-time exceeding 98%. Kilken erected a bund walled dam of 200 m^3 to assist with the retention of potential spillage. This initiative proved very successful in increasing recoveries and in minimising the impact of the industrial action.

The group also reorganised operational management staff at Kilken to streamline efficiencies, reduce costs and to improve reporting and compliance.

Pro Roof Steel Merchants

Management's review of the values and useful lives of production plant and equipment, coupled with the aggressive restructuring, as further detailed in events subsequent to year end below, is intended to result in a more focused and efficient business model for PRSM in order to yield positive returns.

By optimising production throughputs in the main regional branches of Vereeniging, Pretoria and Cape Town, the strategic intention is to reduce production cost per ton whilst still maintaining a limited national presence in the market. Customers in the smaller regions will continue to be serviced from these main branches.

Following an independent review and the restructuring of the production workflow efficiencies a number of plant and equipment items were impaired and in some instances decommissioned and scrapped. A review of the proactive repairs and maintenance programmes justified a minor adjustment in useful economic lives of the remaining production machinery from 20 years to to 25 years.

PRSM employed Mr Brian MacDonald, a qualified chartered accountant with experience in the steel industry, as the new financial director of the steel division with effect from 10 September 2012.

Events subsequent to the year end

After an in-depth analysis of the PRSM group's operational strategy, budgets and cash flow forecasts, it was decided to rationalise the marginal non-strategic operational manufacturing and distribution branches. As a result the Polokwane and Durban branches will be scaled down to representative sales offices at smaller premises.

Plant and equipment from these branches will be distributed amongst Vereeniging, Pretoria and Cape Town branches where needed. Management is also negotiating more favourable structuring of the current rental agreements with the landlords.

Negotiations are at an advanced stage to dispose of the marginal and non-strategic manufacturing and distribution operation in Nelspruit as a going concern.

Commitments

Capital commitments contracted by PRSM amounted to an estimated R5,7 million.

For and on behalf of the board

Mohamed J Husain	**Ashruf Kaka**	Sandton
Independent Non-Executive Chairman	*Chief Executive Officer*	26 March 2013