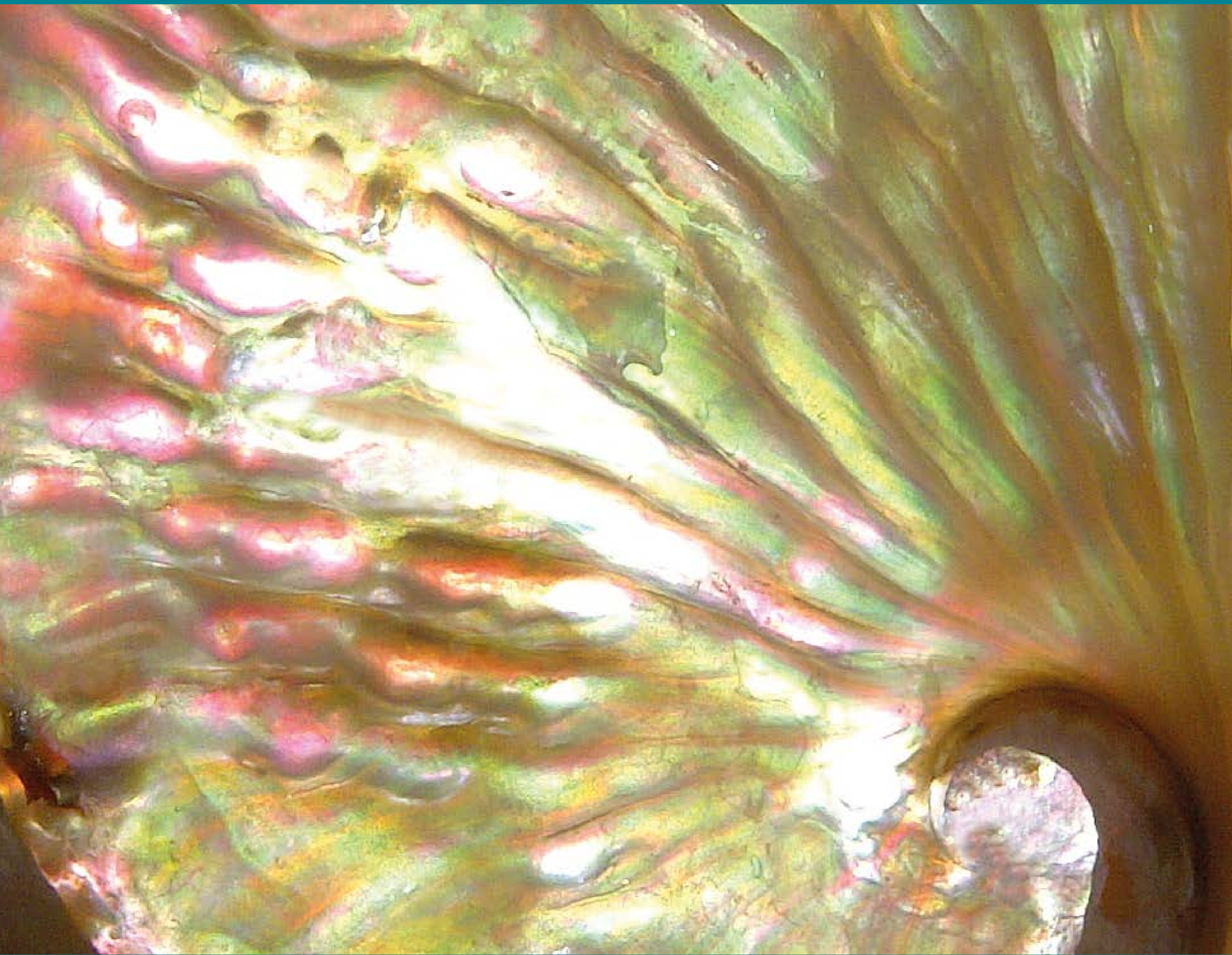
ABAGOLD

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
2013



Annual consolidated financial statements
for the year ended 30 June 2013

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Notice in terms of section 29 of the Companies Act, Act 71 of 2008 (the "Act")

These consolidated annual financial statements have been audited by KPMG Inc. in compliance with the Companies Act of South Africa and have been prepared under the supervision of J Hugo, CA(SA), the financial manager of Abagold Limited.

Directors' responsibility statement

To the shareholders of Abagold Limited

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements comprising the statement of financial position at 30 June 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended for Abagold Limited and its subsidiary ("the Group"), and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report, the audit and risk committee's report and secretarial certification.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of financial statements

The consolidated financial statements of Abagold Limited, as identified in the first paragraph, were approved by the board of directors and signed by:

HR van der Merwe
Chairman

CM du Plessis
Managing Director

Hermanus
6 September 2013

Secretarial certification

In accordance with section 88(2)(e) of the Companies Act, Act 71 of 2008, as amended ("the Act"), for the year ended 30 June 2013, it is hereby certified that the Company and its subsidiary have lodged with the Companies and Intellectual Property Commission all such returns that are required of a public company in terms of the Act and that such returns are true, correct and up to date.

J Hugo
Company secretary

Hermanus
6 September 2013

Audit and risk committee's report

The audit and risk committee ("the committee") submits this report, as required by section 94(7)(f) of the Companies Act, Act 71 of 2008, as amended (hereafter referred to as "the Companies Act").

The board of directors ("the board"), within its discretion and the provisions of the applicable set of legislative requirements, delegated some of its responsibilities to the committee. During the year under review, these responsibilities were clearly defined and agreed upon between all parties concerned, and were recorded in an approved charter. The charter governed the execution of the committee's mandate relevant to the reporting period.

As per the responsibilities assigned by the board, the committee fulfils an independent role and is accountable to both the board and the Group's shareholders. It is an integral part of the Group's governance structures and risk management protocols. Its continued focus remains on assisting the board in executing its responsibilities pertaining to risk management and at the same time, embedding best practices across all levels of the organisation.

This report includes both sets of accountabilities relevant to the functional responsibilities of the committee as outlined in the Companies Act and King III. The charter, which outlines the committee's role and mandate, is available on request.

1. Roles and responsibilities of the audit and risk committee

The committee has discharged the functions outlined in its charter and ascribed to it in terms of the Companies Act and King III, as follows:

- Reviewed the interim, preliminary and abridged results as well as the year-end financial statements, culminating in a recommendation to the Board for approval. In the course of its review, the committee:
  - took the necessary steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act;
  - considered and, when appropriate, made recommendations on internal financial controls;
  - ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Professions Act, 2005) identified and reported by the external auditor; and
  - received and dealt appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative, relating to the accounting practices, the content of the financial statements, the internal financial controls of the Company or any related matter. During the financial year under review, no such material concerns or complaints were raised;
- Reviewed the external audit reports on the Group's annual financial statements;
- Verified the independence of the external auditors, KPMG Inc. ("KPMG") and recommended KPMG as the auditors for the year under review, noting that Mr Pierre Conradie (registered in accordance with the Auditing Professions Act, 2005) was appointed as lead auditor;
- Determined and approved the audit fees and the terms of engagement of the external auditors;
- Determined, subject to the provisions of the Companies Act, the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services rendered by the external auditors;
- Pre-approved any proposed agreement with the external auditors for the provision for non-audit services to the Group;
- Oversaw the integrated reporting process. The committee has as a result, at its meeting held on 5 September 2013, recommended the integrated report for approval by the board; and
- The committee considered the Group's information pertaining to its non-financial performance as disclosed in the integrated report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements. The committee is satisfied that the sustainability information presented is reliable and consistent with the financial results.

Audit and risk committee's report (continued)

2. Members of the audit and risk committee

The committee comprises non-executive directors, who were elected at the previous annual general meeting in terms of section 94(2) of the Companies Act. All members are required to act objectively and independently, as described in the Companies Act and the King III report on good corporate governance.

The external auditors, in their capacity as auditors to the Company, attended and reported to the committee at the meeting relating to the annual financial statements.

Executive directors and relevant senior managers attended meetings on invitation.

Only the official members of the committee are allowed to exercise their respective voting rights and partake in decision-making exercises as prescribed in the charter.

3. Meeting attendance

During the year under review, four meetings were held as prescribed by the committee's approved charter.

The following table illustrates the attendance of committee meetings relevant to the reporting period:

Name of member	14 Dec 2012	18 Feb 2013	14 Jun 2013	5 Sept 2013
SG Sokhela*	–	Present	Present	Present
CJ van Dyk**	Present	–	–	–
YJ Visser	Present	Present	Present	Present
JW Wilken	Present	Present	Present	Present

* = Appointed on 15 December 2012
** = Retired on 15 December 2012

4. Confidential meetings

Agendas are prepared and circulated prior to meetings to improve effectiveness and provide for confidential meetings between the committee members and the external auditors.

5. Conclusion

The committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and terms of reference during the year under review.

JW Wilken
Chairman of the audit and risk committee

Hermanus
6 September 2013

Directors' report
for the year ended 30 June 2013

The directors are pleased to submit their annual report as part of the annual consolidated financial statements for the year ended 30 June 2013.

Nature of the Company's business
During the year under review the Company continued its business of farming, processing, marketing and selling abalone.

Reporting period
The Company's year-end is 30 June.

Financial results
The operating results and the state of affairs of the Company are set out fully in the attached statement of financial position, statement of comprehensive income and notes thereto.

Share capital
Full details of the authorised and issued share capital appear in note 9 to the financial statements.

Dividends
During the year the Company declared a final dividend of R3.3 million relating to the 2012 financial year and an interim dividend of R1.7 million for the 2013 financial year.

Directors
The directors of the Company at the date of this report and any changes during the year are set out below:

CM du Plessis (Managing director)
HR van der Merwe (Non-executive director and chairman of the board)
JN Hamman (Retired on 15 December 2012)
Dr P du P Hugo (Non-executive)
Dr P du P Kruger (Non-executive)
GM Negota (Non-executive)
SG Sokhela (Non-executive)
CJ van Dyk (Retired on 15 December 2012)
YJ Visser (Non-executive)
JW Wilken (Non-executive)

Remuneration of directors and prescribed officers
The remuneration of directors and prescribed officers is set out in note 21 to the financial statements.

Committees of the board
The board of directors may, as required from time to time, delegate responsibilities to committees of the board. During the year the following committees assisted the board:

- Audit and risk committee
- Remuneration and nomination committee

Directors' report
for the year ended 30 June 2013 (continued)

These committees met quarterly and are chaired by non-executive directors. Membership of these committees is set out on page 23.

Events after the reporting period

The directors are not aware of any other material fact, circumstance or event which occurred between the accounting date and the date of this report which might influence an assessment of the Company's financial position or the results of its operations.

Investment in subsidiary

	2013	2012
Abamax Abalone Farm (Pty) Ltd	**100%**	100%

Details of the Company's investment in subsidiary are set out in note 29.

Auditors

KPMG Inc. was appointed as auditor in accordance with section 90 (1) of the Companies Act of South Africa at the last AGM held on 15 December 2012 and will continue in office.

Independent auditor's report
to the shareholders of Abagold Limited

We have audited the consolidated financial statements of Abagold Limited, which comprise the statement of financial position at 30 June 2013, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 50 to 84.

Directors' responsibility for the financial statements
The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Abagold Limited at 30 June 2013, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act
As part of our audit of the consolidated financial statements for the year ended 30 June 2013 we have read the Directors' Report, Audit and Risk Committee Report and the Secretarial Certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the Directors. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion thereon.

KPMG Inc.

Per PJ Conradie
Chartered Accountant (SA)
Registered Auditor
Director

6 September 2013

Consolidated statement of financial position
at 30 June 2013

	Notes	**2013 R'000**	2012 R'000
ASSETS			
Non-current assets		**178 390**	143 551
Property, plant and equipment	2	**113 506**	89 788
Biological assets	3	**56 750**	45 586
Trademarks	4	**155**	198
Goodwill	5	**7 979**	7 979
Current assets		**120 011**	73 212
Current portion of biological assets	3	**83 049**	53 538
Inventories	6	**32 493**	12 003
Trade and other receivables	7	**4 410**	5 362
Derivative financial instruments	8	**59**	795
Cash and cash equivalents	13	**–**	1 514
Total assets		**298 401**	**216 763**
EQUITY AND LIABILITIES			
Equity		**204 559**	171 462
Share capital	9	**7**	7
Share premium		**87 498**	87 498
Retained earnings		**117 054**	83 957
Total equity		**204 559**	**171 462**
Non-current liabilities		**50 414**	37 567
Deferred income tax	11.2	**49 376**	35 700
Trade and other payables	12	**1 038**	1 867
Current liabilities		**43 428**	7 734
Trade and other payables	12	**14 346**	7 690
Derivative financial instruments	8	**2 283**	44
Cash and cash equivalents	13	**26 799**	–
Total liabilities		**93 842**	**45 301**
Total equity and liabilities		**298 401**	**216 763**

Consolidated statement of comprehensive income

for the year ended 30 June 2013

	Notes	2013 R'000	2012 R'000
Revenue	17	**70 995**	64 354
Other income	18	**1 689**	1 862
Fair value losses in financial instruments	19	**(2 465)**	(1 170)
Purchases of biological assets	6	**(11 269)**	(616)
Changes in biological assets	3	**40 675**	28 596
Changes in inventory		**20 490**	8 612
Production costs	20	**(21 776)**	(19 872)
Employee benefit expenses	21	**(25 054)**	(24 820)
Depreciation and amortisation		**(6 951)**	(5 574)
Other operating expenses		**(13 574)**	(12 386)
Profit from operations	22	**52 760**	38 986
Finance costs	23	**(933)**	(1)
Investment income	24	**13**	608
Profit before income tax		**51 840**	39 593
Income tax expense	11.1	**(13 676)**	(11 451)
Profit for the year		**38 164**	28 142
Other comprehensive income		**–**	–
Total comprehensive income for the year		**38 164**	28 142
Earnings per share (cents)	25.1	**28.62**	21.11

Consolidated statement of changes in shareholders' equity for the year ended 30 June 2013

	Share capital R'000	Share premium R'000	Share based payment reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2011	**7**	**87 498**	**313**	**59 548**	**147 366**
Total comprehensive income for the year	–	–	–	28 142	28 142
Reclassified as liability	–	–	(313)	–	(313)
Dividend paid	–	–	–	(3 733)	(3 733)
Balance at 30 June 2012	**7**	**87 498**	**–**	**83 957**	**171 462**
Total comprehensive income for the year	–	–	–	38 164	38 164
Dividend paid	–	–	–	(5 067)	(5 067)
Balance at 30 June 2013	**7**	**87 498**	**–**	**117 054**	**204 559**

Consolidated statement of cash flows
for the year ended 30 June 2013

	Notes	2013 R'000	2012 R'000
Cash flow from operating activities		**7 504**	**7 970**
Cash received from clients	26.1	73 636	65 049
Cash paid to suppliers and employees		(65 212)	(57 311)
Cash generated from operations	26.2	8 424	7 738
Finance costs	26.3	(933)	(1)
Investment income	26.4	13	608
Taxation paid	26.5	–	(375)
Cash flow from investment activities		**(30 750)**	**(31 442)**
Purchases of property, plant and equipment	2	(30 732)	(31 577)
Proceeds from disposal of property, plant and equipment		–	183
Purchases of trademarks	4	(18)	(48)
Cash flow from financing activities		**(5 067)**	**(3 733)**
Dividends paid to shareholders		(5 067)	(3 733)
Net cash flow for the year		**(28 313)**	**(27 205)**
Cash and cash equivalents – beginning of the year		1 514	28 719
Cash and cash equivalents – end of the year	13	**(26 799)**	**1 514**

Notes to the consolidated financial statements
for the year ended 30 June 2013

1. ACCOUNTING POLICIES

Abagold Limited (the "Company") is a company domiciled in South Africa. The consolidated financial statements at 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group" or individually referred to as "group entities").

Where reference is made to the "Group" in the accounting policies, it should be interpreted as referring to the Company where the context requires, and unless otherwise noted.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. All monetary information and figures presented in these financial statements are stated in thousands of Rand (R'000), unless otherwise indicated.

1.1 BASIS OF PREPARATION

The separate and consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act of 2008.

The financial statements are presented in South African Rands ("Rands"), which is the Company's functional currency. All financial information presented in Rands has been rounded to the nearest thousand. They are prepared on the basis that the Company and its subsidiaries are going concerns, using the historical cost basis of measurement except for derivative financial instruments which are measured at fair value through profit and loss. Minor adjustments have been made to certain comparative figures to allow for more meaningful disclosure. These adjustments have no material impact on the reported results.

1.2 GROUP FINANCIAL STATEMENTS

The Group annual financial statements comprise those of the Company and its subsidiary. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with policies adopted by the Group.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date on which control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a business is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsequently, the carrying amount of non-controlling interest is the amount of the interest at initial recognition plus the non-controlling interest's share of the subsequent changes in equity. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interest having a deficit balance.

The excess of the consideration transferred; the amount of any non-controlling interest in the acquiree; and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, a bargain purchase gain is recognised. The difference is recognised directly in the statement of comprehensive income.

Notes to the consolidated financial statements
for the year ended 30 June 2013 (continued)

1.2 GROUP FINANCIAL STATEMENTS

Subsidiaries (continued)

Intra-Group transactions, balances and unrealised gains on intra-Group transactions are eliminated on consolidation. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred.

Investments in subsidiaries in the Company financials are carried at cost less provision for impairment.

1.3 NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments are initially recognised at fair value plus directly attributable transaction costs except for financial instruments that are classified as being carried at fair value through profit or loss. Subsequent to initial recognition, these instruments are measured based on classification according to their nature.

Financial instruments are classified at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Trade and other receivables

Trade and other receivables are categorised as loans and receivables. These financial assets originate by the Group providing goods, services or money directly to a debtor and are subsequent to initial recognition measured at amortised cost using the effective interest method less any accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents are categorised in the statement of financial position as loans and receivables and subsequent to initial recognition measured at amortised cost.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

Interest-bearing loans and borrowings

Loans are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition these financial instruments are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis. Where the difference between the fair value and the proceeds received is considered to be an equity contribution (i.e. as with shareholders' loans) the difference is taken directly to equity (net of deferred tax) at initial recognition.

Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables

Subsequent to initial recognition, trade and other payables are measured at amortised cost.

1.4 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk arising from operational activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

1.4 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss arising from a change in fair value on re-measurement is recognised in profit or loss in the period in which the change arises.

The fair value of forward exchange contracts is their quoted market price at the reporting date. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date.

1.5 DERECOGNITION

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

1.6 OFFSET

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.7 HEDGE OF MONETARY ASSETS AND LIABILITIES

Where a derivative financial instrument is used to hedge the foreign exchange exposure and interest rate risk exposure of a recognised asset or liability, no hedge accounting is applied and gains or losses on the hedging instrument are recognised in profit or loss.

1.8 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in South African Rand, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

1.8 FOREIGN CURRENCY TRANSLATION

Transactions and balances (continued)

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

1.9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets held by the Group for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period. Property and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Land is initially recorded at cost and adjusted for any impairment in value. It is not depreciated, as it is deemed to have an unlimited useful life.

Depreciation is calculated using the straight-line method, from the date that assets are available for use, at rates considered appropriate to reduce book values to estimated residual values over the useful lives of the assets, as follows:

Land and buildings	=	20 years
Computer equipment	=	5–10 years
Equipment	=	5–15 years
Furniture and fittings	=	5 years
Vehicles	=	5–10 years

Improvements to leasehold properties are shown at cost and written off over the remaining period of the lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit and loss.

1.10 BIOLOGICAL ASSETS

Biological assets consist of abalone livestock which are stated at fair value. Fair value is determined based on the market prices of abalone of similar size and breed less estimated point-of-sale costs at the point of harvest with any resultant gain or loss recognised in profit or loss. Point of sale costs includes all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to the market. The exchange rate and expected sales prices are significant factors in determining the fair value of biological assets.

1.11 INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the consideration transferred; the amount of any non-controlling interest in the acquiree; and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Acquisition costs are expensed as incurred.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Other intangible assets

Intangible assets (other than goodwill) are initially recognised at cost if acquired externally, or at fair value if acquired as part of a business combination. The cost of intangible assets acquired in a business combination is fair valued as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation of intangible assets with a finite useful life is recognised in profit or loss on a straight-line basis over the estimated useful life of intangible assets. Intangible assets with indefinite lives are assessed annually for impairment and tested whenever there is an indication that the intangible asset may be impaired. The amortisation period, amortisation method and residual value for an intangible asset with a finite useful life are reassessed annually. Changes in the expected useful life or the expected pattern of consumption for future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. There are no intangible assets that have indefinite useful lives other than goodwill.

Intangible assets are comprised of trademarks and currently all trademarks' useful lives are 10 years.

1.12 INVENTORY

Inventory consists of harvested and processed (canned or dried) abalone and is stated at the lower of cost and net realisable value. The cost of abalone finished goods and work in progress is determined in accordance with IAS41 as the fair value of the biological asset at point of harvest plus direct costs to completions. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable costs of completion and selling expenses.

1.13 IMPAIRMENT OF ASSETS

Non-financial assets

The carrying amounts of the Group's non-financial assets other than deferred tax assets and inventories (see accounting policy note for deferred tax and inventories), are reviewed at each reporting date to determine whether any indication of impairment exists. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill the recoverable amount is estimated at each reporting date.

1.13 IMPAIRMENT OF ASSETS (CONTINUED)

Whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, an impairment loss is recognised in profit or loss.

As goodwill is not capable of generating cash flows independently of other assets, in assessing the recoverable amount of goodwill, the goodwill is allocated to cash-generating units on a reasonable and consistent basis.

The recoverable amount of the cash-generating unit (including an allocation of goodwill and corporate assets) is assessed with reference to the future cash flows of the cash-generating unit. Where an impairment loss is recognised for a cash-generating unit, the impairment loss is applied first to the goodwill allocated to the cash-generating unit (if any) and then to other assets on a pro rata basis comprising the cash-generating unit provided that each identifiable asset is not reduced to below its recoverable amount.

Recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost to sell and its value in use. Recoverable amounts are estimated for individual assets or, if an asset does not generate largely independent cash flows, for a cash-generating unit. A cash-generating unit is the smallest collection of assets capable of generating cash flows independent of other assets or cash-generating units.

The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction, less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash-generating unit and from its disposal at the end of its useful life. The estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversal of impairment losses

Impairment losses recognised in prior years are assessed at each reporting date for any indicators that the losses have decreased or no longer exist. Reversal of impairment losses recognised in prior years are recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased, either as a result of an event occurring after the impairment loss was recognised or if there has been a change in the estimates used to calculate the recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount of the affected asset is not increased to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior years. The reversal is recorded as income in profit or loss. An impairment loss in respect of goodwill is not reversed.

Financial assets

At each reporting date, an assessment is made as to whether objective evidence exists that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events has had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in Groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

1.14 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where any Group Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

1.15 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated in accordance with tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group's subsidiary operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on the investment in a subsidiary, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Dividends Withholding Tax has replaced Secondary Tax on Companies effective 1 April 2012. It is a tax levied on the beneficial owner of the shares instead of the Company. The tax is withheld by the Company and paid over to SARS on the beneficiaries' behalf. The resultant tax expense and liability has been transferred to the shareholder and is no longer accounted for as part of the tax charge of the Company.

1.16 EMPLOYEE BENEFITS

Pension obligations

The Group only has defined-contribution plans. A defined-contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-retirement benefits

The Group has no liabilities with regard to post-retirement medical benefits.

Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated annual leave as a result of services rendered by employees up to statement of financial position date.

Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing. The Group recognises a provision for such expenditure where a contractual obligation exists or where there is a past practice that has created a constructive obligation.

1.17 EQUITY COMPENSATION BENEFITS

The Group has granted share appreciation rights in the form of “phantom shares” to its executive management team. In accordance with IFRS 2, the Group has recognised an employee benefits expense in profit and loss, representing the fair value of the share appreciation rights granted to the Group’s employees. A corresponding credit to liabilities has been raised for this cash-settled plan.

The Group remeasures the fair value of the recognised liability at each reporting date and at the date of settlement, with the corresponding change in the fair value recognised in profit and loss for the period

1.18 PROVISIONS

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

1.19 RELATED PARTIES

Individuals or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as all directors of Abagold Ltd, the main operating entity of the Group.

1.20 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of abalone to customers in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifications of each arrangement.

Interest income

Interest income for financial assets that are not classified as at fair value through profit and loss is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income from financial assets that are classified as at fair value through profit and loss is included in investment income.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is included in investment income.

1.21 GOVERNMENT GRANTS

Government grants, including non-monetary grants, are recognised at fair value when there is reasonable assurance that the entity will comply with the conditions attaching to them and that the grants will be received by the Group.

Government grants related to costs are recognised in profit or loss on a systematic basis over the periods in which the entity recognises, as an expense, the related costs for which the grants are intended to compensate.

Government grants related to the purchase of depreciable assets are recognised as a liability (deferred revenue) and credited to profit or loss on a straight-line method over the useful lives of the assets.

1.22 LEASES

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Finance leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at inception of the lease at the lower of the fair value of the leased asset or the current value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges based on the interest rate charged on the outstanding balance. The corresponding rental obligations, net of finance charges, are included in Borrowings. The interest element of the finance cost is charged to profit and loss over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Notes to the consolidated financial statements
for the year ended 30 June 2013 (continued)

1.23 DIVIDEND DISTRIBUTIONS
Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.24 EARNINGS PER SHARE
The Group presents basic and diluted earnings per share (EPS) data in relation to its ordinary shares.

Basic EPS is calculated by dividing profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. This provides a measure of the interests of each ordinary share of the Company in the performance of the entity over the reporting period. Headline earnings per share is calculated by adjusting the earnings used for EPS for any exceptional items.

Diluted EPS takes into account the effect of all dilutive potential ordinary shares outstanding during the period. Headline EPS is based on earnings attributable to shareholders, excluding capital items and the tax effects thereon and is calculated using the same number of shares as the basic and diluted EPS calculations.

1.25 CONTINGENCIES
A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. These contingent liabilities are not recognised in the statement of financial position but disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These contingent assets are not recognised in the statement of financial position but are disclosed in the notes to the financial statements if the inflow of financial benefits is probable.

1.26 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES
In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements. Significant judgements include:

Expected manner of realisation of deferred tax
Deferred tax is provided based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax asset or liability.

Assets' useful lives, residual values and impairment
Property, plant and equipment are depreciated over their useful lives taking into account the residual values and possible impairment where appropriate. The actual useful lives of assets and residual values are assessed annually. In reassessing assets' useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Whether an asset is impaired is subject to management's view of changes in circumstances which could indicate that the carrying value may not be recoverable.

1.26 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Impairment of goodwill

Goodwill is subjected annually to an impairment test. The impairment test is performed by calculating a value-in-use for the cash generating unit to which the goodwill is allocated. The calculation of value-in-use requires assumptions to be made regarding future cash flows and appropriate outcomes.

Biological assets

In order to measure and value biological assets, management uses a growth-formula and drip- and purge-loss factors to determine the weight of the animals at the reporting date. These formulas are based on empirical evidence and confirmed industry norms.

1.27 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

- IFRS 10 – Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 – Joint Arrangements (effective 1 January 2013)
- IFRS 12 – Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 – Fair Value Measurement (effective 1 January 2013)
- IFRS 10, IFRS 11 and IFRS 12 amendments – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective 1 January 2013)
- IAS 19 amendments – Employee Benefits: Defined Benefit Plans (effective 1 January 2013)
- IAS 27 – Separate Financial Statements (2011) (effective 1 January 2013)
- IAS 28 – Investments in Associates and Joint Ventures (2011) (effective 1 January 2013)
- IFRS 1 amendment – Government Loans (effective 1 January 2013)
- IFRS 7 amendment – Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)
- IAS 32 – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)
- IAS 36 – Recoverable amount disclosures for Non-financial Assets (effective 1 January 2014)
- IFRS 10, IFRS 12 and IAS 27 amendment – Investment Entities (effective 1 January 2014)
- IFRIC 21 – Levies 1 January 2014
- IFRS 9 (2009) – Financial Instruments 1 January 2015
- IFRS 9 (2010) – Financial Instruments 1 January 2015

The directors have considered all of these Standards and Interpretations and none were found to have a significant impact on future financial statements.

Notes to the consolidated financial statements
for the year ended 30 June 2013 (continued)

2. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Equipment R'000	Furniture and fittings R'000	Computer equipment R'000	Vehicles R'000	Assets under construction R'000	Total R'000
Book value at 1 July 2011	37 707	20 795	21	255	405	4 716	63 899
Cost at 1 July 2011	43 413	41 772	85	447	714	4 716	91 147
Accumulated depreciation and impairment	(5 706)	(20 977)	(64)	(192)	(309)	–	(27 248)
Additions	13 187	10 958	9	35	150	7 238	31 577
Disposals at book value	(69)	(70)	–	–	(5)	–	(144)
Depreciation	(1 570)	(3 806)	(12)	(83)	(72)	–	(5 543)
Reclassification	637	(637)	–	–	–	–	–
Book value at 30 June 2012	49 892	27 239	18	207	478	11 954	89 788
Cost at 30 June 2012	57 194	51 589	69	482	826	11 954	122 114
Accumulated depreciation and impairment	(7 302)	(24 350)	(51)	(275)	(348)	–	(32 326)
Additions	6 639	15 015	235	178	127	8 538	30 732
Depreciation	(2 297)	(4 378)	(31)	(94)	(90)	–	(6 890)
Depreciation reallocated to feed protection	–	(124)	–	–	–	–	(124)
Completed and transferred	19 369	–	–	–	–	(19 369)	–
Book value at 30 June 2013	73 603	37 752	222	291	515	1 123	113 506
Cost at 30 June 2013	83 202	66 604	304	660	953	1 123	152 846
Accumulated depreciation and impairment	(9 599)	(28 852)	(82)	(369)	(438)	–	(39 340)

During the current year no fully depreciated assets were scrapped (2012: Items with historic cost of R344k).

All the above assets are owned by the Company and not leased.

Refer to note 14 for encumberances on property, plant and equipment.

The detailed fixed assets register is available for viewing at the Company's office.

3. BIOLOGICAL ASSETS

The Group owns biological assets in the form of abalone livestock. At 30 June 2013 there were 474 tonnes (2012: 398 tonnes) of live abalone on the farms. Biological assets are measured at the best estimate of fair value less anticipated marketing and other related selling costs. The fair value of biological assets are determined based on market prices of abalone of similar size and breed. Market prices are denominated in USD.

	2013 R'000	2012 R'000
Reconciliation		
Opening carrying amount	99 124	70 528
Fair value adjustment for growth	94 441	73 155
Fair value adjustment due to changes in USD sales prices	(5 157)	2 515
Fair value adjustment due to exchange rate changes	25 076	17 513
Transfer to inventories	(73 685)	(64 587)
Closing carrying amount	139 799	99 124

Biological assets typically have a production cycle of more than one year and are classified as non-current assets. A portion of biological assets are projected to be harvested for sale within the next financial year and are classified as current assets. This division between non-current and current assets is made based on the expected harvest dates of the different aged animals and is set out below:

	2013 R'000	2012 R'000
At 30 June		
– Non-current biological assets	56 750	45 586
– Current portion of biological assets	83 049	53 538
	139 799	99 124

Biological assets are continuously counted and weighed in predetermined cycles and at reporting dates a formula is used to determine the present weight of the abalone. The abalone are classified into weight classes for valuation purposes and valued using the live market USD selling price per kilogram for each weight class, adjusted for drip and purge losses, and deducting the relevant cost.

Short-term insurance cover, as part of an overall management strategy, is utilised to protect the Group against the replacement cost, and subsequent loss of income, of re-stocking the farms in the event of mortalities caused by natural perils, forced de-stocking, disease or mechanical failure.

At 30 June 2013, if the USD price of live abalone increased by 10% with all other variables held constant, the value of biological assets and the profit before income tax for the year would have been R16 247 478 (2012: R11 569 055) higher. Conversely, if the USD price decreased by 10%, the value of biological assets and profit would be less with the same amounts. This variation in profit would be due to the fair value adjustment of biological assets through the statement of comprehensive income. The higher USD price sensitivity in profit in 2013 compared to 2012 is attributable to an increase in livestock tonnage on the farms.

Although the Group is exposed to risks arising from changes in the price of abalone it does not anticipate that abalone prices will decline significantly in the foreseeable future. The Group reviews its outlook for the price of abalone regularly in considering the need for active risk management.

The Group is also exposed to risks arising from changes in the Rand-USD exchange rate. At 30 June 2013, if the Rand had weakened 10% against the USD with all other variables held constant, the value of biological assets and profit before tax for the year would have been R14 349 629 (2012: R10 185 054) higher.

Notes to the consolidated financial statements

3. BIOLOGICAL ASSETS (CONTINUED)

Conversely, if the Rand strengthened 10%, the value of biological assets and profit would be less with the same amounts. This variation in profit would be due to the fair value adjustment of biological assets through the statement of comprehensive income. The higher exchange rate sensitivity in profit in 2012 compared to 2011 is attributable to an increase in livestock tonnage on the farms.

Refer to note 14 for encumbrances on biological assets.

4. TRADEMARKS

	2013 R'000	2012 R'000
Reconciliation		
Opening carrying value	198	180
Cost	284	236
Accumulated amorisation and impairment	(86)	(56)
Additions	18	48
Impairments	(32)	–
Amortisation	(29)	(30)
Closing carrying value	155	198
Cost	270	284
Accumulated amorisation and impairment	(115)	(86)

5. GOODWILL

	2013 R'000	2012 R'000
Balance at 30 June	7 979	7 979

Goodwill arose with the purchase of the operations of a subsidiary, Abamax Abalone Farm (Pty) Ltd and is allocated to the Group as a whole as a cash-generating unit.

Goodwill is tested annually for impairment. The recoverable amount of this cash-generating unit has been determined based on its value-in-use calculation, using a discounted cash flow method. The discounted cash flow calculation takes into account the budgeted and forecast 10-year projection for the Group. The R157 interest rate was used as the discount rate and adjusted for specific risks relating to the industry and the Group as a whole. A corporate taxation rate of 28% was used throughout the projections. Had the discount rate used in the discounted cash flow calculation above been 1% less, there would still be no impairment of the goodwill.

6. INVENTORIES

Inventories consist of harvested abalone which is being processed or is in a final dried or canned form, ready for sale.

	2013 R'000	2012 R'000
Reconciliation		
Opening carrying amount	12 003	3 391
Transfer from biological assets	73 685	64 587
Purchases	11 269	616
Sales of abalone	(64 464)	(56 591)
Closing carrying amount	32 493	12 003

6. INVENTORIES (CONTINUED)

The carrying amount includes work in progress of R4 551 082 (2012: R2 255 594) which represents harvested abalone being processed but not yet in a final product ready for sale at reporting date.

Inventory is valued at the lower of cost or net realisable value. Cost is determined using the fair value of biological assets at point of harvest. The net realisable value of inventory is dependent on current USD market prices of abalone and consequently also on the ZAR–USD exchange rate.

At 30 June 2013, if the USD price of live, canned and dried abalone increased by 10% with all other variables held constant, the value of inventory would have been R3 724 103 (2012: R1 363 503) higher. Conversely, if the USD price decreased by 10%, the value of inventory would be less with the same amounts. The higher USD price sensitivity in 2013 compared to 2012 is attributable to an increase in inventory on hand.

The Group is also exposed to the risk of changes in the ZAR–USD exchange rate. At 30 June 2013, if the Rand had weakened 10% against the USD with all other variables held constant, the value of inventory would have been R3 465 471 (2012: R1 348 153) higher. Conversely, if the Rand strengthened 10%, the value of inventory would be less with the same amounts. The higher exchange rate sensitivity in 2013 compared to 2012 is attributable to an increase in inventory on hand.

Refer to note 14 for encumbrances on inventories.

7. TRADE AND OTHER RECEIVABLES

	2013 R'000	2012 R'000
Trade receivables	3 520	3 505
Prepaid expenses	49	887
Loans receivable	169	189
Value added tax	672	781
	4 410	5 362

The carrying amounts of trade and other receivables are denominated in the following currencies:

	2013 R'000	2012 R'000
ZAR	1 374	1 906
USD	3 036	3 456
	4 410	5 362

Trade and other receivables are assessed individually for any indication that the counterparty might not be able to honour its commitments. No impairment was recognised on trade receivables for the year ended 30 June 2013 (2012: R nil). Nominal value less impairment provision of trade receivables approximate fair value.

Trade receivables that are less than one month past due are not considered impaired unless there is objective evidence that the Group will not be able to collect the outstanding debt. As at 30 June 2013 no portion of trade receivables (2012: no portion) was past due or impaired. The aging analysis of trade receivables is as follows:

	2013 R'000	2012 R'000
Up to 1 month	1 613	3 495
1–2 months	1 907	10
More than 2 months	–	–
	3 520	3 505

All trade receivables outstanding at year-end have been subsequently collected.

8. DERIVATIVE FINANCIAL INSTRUMENTS

	2013 R'000	2012 R'000
The derivative financial instruments at 30 June comprise of:		
– Forward foreign exchange contracts – assets	59	795
– Forward foreign exchange contracts – liabilities	(2 283)	(44)
	(2 224)	751
Reconciliation of derivative financial instruments:		
Opening balance	751	144
– Contracts entered into	(2 224)	751
– Contracts expired	(751)	(144)
Closing balance	(2 224)	751

The forward foreign exchange contracts do not qualify for hedge accounting.

The notional principal amount of the outstanding forward foreign exchange contracts at 30 June was $3 641 455 with forward rates ranging from R9.03/$ to R10.55/$ (2012: $2 847 075 with forward rates ranging from R8.02/$ to R8.93/$).

The derivatives are classified as a current asset or liability as the forward exchange contracts expire within the next 12 months.

9. SHARE CAPITAL

	2013 R'000	2012 R'000
Authorised		
200 000 000 ordinary shares of 0.005c each	10	10
3 000 000 old redeemable preference shares of 1c each	30	30
1 000 000 new redeemable preference shares of 0.1c each	1	1
	41	41
Issued		
133 333 334 (2012: 133 333 334) ordinary shares of 0.005c each	7	7
	7	7

There has been no change to the authorised or issued share capital during the year.

All shares issued by the Company are fully paid.

During the year the Company declared a final dividend of R3.3 million relating to the 2012 financial year and an interim dividend of R1.7 million for the 2013 financial year.

Unissued

Unissued shares are under the directors' control until the next annual genereal meeting.

10. INCENTIVE PLANS

The Group has granted incentive plans in the form of “phantom shares” to members of its executive management team. These plans entitle the participants to receive cash payments calculated as the difference (if any) between the formula (or deemed) value per share of the Company at the dates of the grants (“award value”) and such formula value per share on the maturation date of the rights three years later.

Participants are encouraged to invest at least half of the after-tax return in physical shares of the Company and keep these shares for a minimum of three years, although there is no obligation to do so. The calculated total provision of R2 068 473 (2012: R1 538 762) is classified as “cash settled” under liabilities.

The number of “phantom shares” on which the participation rights are based as well as the award values and maturation dates are set out below.

	Number of shares on which the right is based	
	2013 R’000	**2012 R’000**
Movement in rights to share-based payments (Average award value is in brackets):		
Balance at the beginning of the year	1 615	1 807
Issued on 1 March 2012 (R3.00/share)	–	110
Issued on 1 July 2012 (R1.51/share)	623	–
Exercised during the year	(639)	(302)
Balance at the end of the year	1 599	1 615
Rights to share-based payments on 30 June are unconditional on the following dates:		
1 March 2013 (R3.00/share)	–	639
1 March 2014 (R3.00/share)	639	639
1 March 2015 (R3.00/share)	337	337
1 July 2015 (R1.51/share)	623	–
	1 599	1 615

During the current year a new plan was introduced with its first rights being awarded on 1 July 2012 to ensure a transition from the previous plan which made its last award on 1 March 2012.

The “award values” indicated above bear no resemblance to any market value of Abagold’s physical shares and are merely a calculated value to be used for the purposes of this plan. Note that the difference in award values indicated above is due to a change in the formula used to determine the award value for the new plan. This value is calculated such that it incentivises those elements that the board considers necessary to build longer-term value in the Company.

Refer to note 21 for the expense recognised in the statement of comprehensive income as employee benefits expense.

11. TAXATION

11.1 INCOME TAX EXPENSE

	2013 R'000	2012 R'000
Deferred tax	13 676	11 076
Secondary tax on companies (STC)	–	375
	13 676	11 451

11.2 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or the different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	2013 R'000	2012 R'000
Deferred tax liability		
– Property, plant and equipment	14 918	10 958
– Trademarks	43	56
– Prepaid expenses	14	248
– Biological asset	39 144	27 755
Deferred tax asset		
– Accumulated tax loss	(3 841)	(3 015)
– Provision for leave pay	(251)	(221)
– Operating lease liabiltiy	(72)	(81)
– Long-term share incentive liability	(579)	–
Net deferred tax liability	49 376	35 700

The movement in net deferred tax liability during the year is as follows:

	Property, plant and equipment	Biological assets	Accumulated loss	Other	Total
At 1 July 2011	7 958	19 748	(2 899)	(183)	24 624
Charged/(credited) to the statement of comprehensive income	3 000	8 007	(116)	185	11 076
At 30 June 2012	10 958	27 755	(3 015)	2	35 700
Charged/(credited) to the statement of comprehensive income	3 960	11 389	(826)	(847)	13 676
At 30 June 2013	14 918	39 144	(3 841)	(845)	49 376

The deferred income tax assets and liabilities were calculated on all temporary differences under the liability method using an effective tax rate of 28% (2012: 28%).

11.3 TAX RATE RECONCILIATION

The income tax on the profit before tax differs from the theoretical amount that would arise using the statutory rate of 28% (2012: 28%) as follows:

	2013 %	2012 %
South African normal tax rate	28.00%	28.00%
Adjusted for:		
– Changes to prior year assessments	(1.59%)	–
– Non deductible expenses	(0.02%)	0.05%
– STC	0.00%	0.92%
– Other permanent differences	0.01%	(0.07%)
Actual effective tax rate	26.40%	28.90%

11.4 TAX LOSSES

	2013 R'000	2012 R'000
Estimated tax losses and capital development costs available for set-off against future taxable income	51 018	42 359

12. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following items:

	2013 R'000	2012 R'000
Trade payables	10 605	5 287
Accrual for leave	898	792
Cash-settled share-based payment liability	2 068	1 539
Accrual for short-term incentive	948	1 025
Other personnel accruals	157	111
Value added tax	1	1
Operating lease liability	329	388
Other payables	378	414
	15 384	9 557

The carrying amount of trade and other payables approximates its fair value.

Trade and other payables are divided in a current and non-current portion on the statements of financial position as follows:

Non-current trade and other payables	1 038	1 867
Current portion of trade and other payables	14 346	7 690
	15 384	9 557

13. CASH AND CASH EQUIVALENTS

	2013 R'000	2012 R'000
(Bank overdraft)/Positive bank balances	(2 575)	1 538
Call account	(24 200)	–
Cash on hand	2	8
Balance on credit cards	(26)	(32)
	(26 799)	1 514

Positive bank balances earn interest at market-related money market rates which was 5% on average for the year.

The balance on credit cards and the bank overdraft are payable on demand and accrue daily interest at 0.5% below the prime interest rate.

The current overdraft facility is R40 million (2012: R25 million) and this facility is renewed annually on 1 July.

14. SECURITIES

The following items are secured to ABSA at the reporting date:

First and second general notarial bond over biological assets and inventory for R10 million and R20 million; Registered cession of insurance policy over biological assets and inventory; First and second covering mortgage bond for R2.5 million and R7.5 million over erf 7994; Registered cession of reversionary rights in combined insurance policy.

15. DEFINED CONTRIBUTION PLAN

The Group provides retirement benefits for its full time employees by way of contributions to a third party administered provident fund. All full-time employees are eligible to join the fund. Contributions to the fund is paid on a fixed scale. Substantially all the Group's full-time employees are members of this plan.

An amount of R1 443 240 (2012: R1 255 085) was recognised during the year as an expense in relation to the provident fund's contributions.

16. FINANCIAL INSTRUMENTS

16.1 FAIR VALUE ESTIMATION

For financial instruments that are measured in the statement of financial position at fair value, disclosure is required of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

16.1 FAIR VALUE ESTIMATION (CONTINUED)

The determination of what constitutes "observable" requires significant judgement by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2013:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Financial assets at fair value through profit or loss				
– Foreign exchange contract assets	–	59	–	59
Total assets	–	59	–	59
Liabilities				
Financial liabilities at fair value through profit or loss				
– Foreign exchange contract liabilities	–	2 283	–	2 283
Total liabilities	–	2 283	–	2 283

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2012:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Financial assets at fair value through profit or loss				
– Foreign exchange contract assets	–	795	–	795
Total assets	–	795	–	795
Liabilities				
Financial liabilities at fair value through profit or loss				
– Foreign exchange contract liabilities	–	44	–	44
Total liabilities	–	44	–	44

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily JSE equity investments classified as equity securities or available-for-sale.

Financial instruments that trade in markets that are not considered to be active but are valued (using valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment-grade corporate bonds, listed equities and over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

16.1 FAIR VALUE ESTIMATION (CONTINUED)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group does not have any level 3 instruments for the year ended 30 June 2012 and 2013.

Specific valuation techniques used to value financial instruments include:

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.

16.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, trade and other receivables and payables and foreign exchange contracts reported in the statement of financial position approximate fair values.

16.3 FINANCIAL RISK MANAGEMENT

Financial instruments are subject to the relevant risks in the table below:

	Credit risk	Liquidity risk	Interest rate	Exchange rate
Financial assets:				
Foreign exchange contract asset	✔			✔
Trade and other receivables	✔			✔
Cash and cash equivalents	✔		✔	
Financial liabilities:				
Foreign exchange contract liability		✔		✔
Trade and other payables		✔		

16.4 CREDIT RISK MANAGEMENT

Credit risk arises from financial instruments with banks and trade and other receivables which exposes the Group to credit risk.

- The Group uses derivative financial instruments in the form of foreign exchange contracts. Only financial institutions with a minimum independent credit rating of "A" are used for these purposes.
- Currently all foreign trade receivables relate to clients in the Far East (Hong Kong, Singapore and Malaysia). Credit risk is reduced by performing credit checks on all clients prior to engaging in trade and enforcing strict payment terms. At year-end no portion of receivables is considered doubtful and no indication of default exists. Trade receivables do not have a formal credit rating.

16.5 CREDIT RISK FOR BANKS AND DEPOSITS

	2013 R'000	2012 R'000
The credit quality of financial assets can be assessed by reference to external credit rating agencies such as Moody's rating for short-term funds:		
Cash at bank and short-term bank deposits		
"A" rating	–	1 538
	–	1 538

16.6 LIQUIDITY RISK MANAGEMENT

The Group's cash and cash equivalents are monitored and measured against budget on a weekly basis and it is expected that the Group will be able to settle its trade and other payables as it becomes due. The credit terms with trade and other payables are 30 days from statement date.

The contractual periods of the Groups liabilities at year-end are as follows:

	Contractual cash flows (undiscounted)			
	0–1 year R'000	1–2 years R'000	2–5 years R'000	Total R'000
At 30 June 2013:				
Trade and other payables	14 346	93	945	15 384
Derivative financial instruments	2 283	–	–	2 283
	16 629	93	945	17 667
At 30 June 2012:				
Trade and other payables	7 690	92	1 776	9 558
Derivative financial instruments	44	–	–	44
	7 734	92	1 776	9 602

16.7 INTEREST RATE RISK

The Group's cash and cash equivalents are exposed to changes in market interest rates. No portion of this debt has a fixed interest rate.

At 30 June, if interest rates were 1 percentage point higher, with all other variables held constant, profit before income tax for the year would have been R268 336 less (2012: R15 139 more), arising as a result of the overdraft position at the reporting date. Conversely, if interest rates were 1 percentage point lower, it would have an opposite effect on profit by the same amount. The sensitivity for 2013 and 2012 differ due to the higher overdraft at year-end.

16.8 CURRENCY RISK MANAGEMENT

Exposure to currency risk arises in the normal course of the Group's business of exporting abalone for which the selling price is denominated in USD. This risk is relevant to the following:

16.8.1 FOREIGN TRADE RECEIVABLES

At 30 June 2013, if the Rand had weakened 10% against the USD with all other variables held constant, profit before income tax for the year would have been R303 616 (2012: R345 602) higher. Conversely, if the Rand strengthened 10%, profit would be less with the same amounts. This variation in profit would be due to the fair value adjustment of foreign currency denominated trade receivables The lower foreign exchange rate sensitivity in profit is attributable to a slight decrease in these trade receivables at year-end.

16.8.2 BIOLOGICAL ASSETS AND INVENTORY

Please refer to notes 3 and 6 respectively.

16.8.3 FORWARD FOREIGN EXCHANGE CONTRACTS

The Group uses derivative financial instruments to reduce exposure to fluctuating foreign exchange rates. To this effect the Group has entered into certain forward exchange contracts, which do not relate to specific items in the statement of financial position but were entered into to cover future foreign currency sales transactions. The contracts will be utilised against USD receipts from foreign customers in the forthcoming financial year.

16.8.3 FORWARD FOREIGN EXCHANGE CONTRACTS (CONTINUED)

Whilst these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged. Open foreign exchange contracts at year-end are revalued using market rates for contracts with similar maturity dates with the adjustment to fair value affecting profit for the year. At 30 June 2013, if the Rand had weakened 10% against the USD with all other variables held constant, profit before income tax for the year would have been R3 605 040 (2012: R2 326 060) higher. Conversely, if the Rand strengthened 10%, profit would be less with the same amounts. The increase foreign exchange rate sensitivity in profit in 2013 compared to 2012 is attributable to the increase in open foreign exchange contracts at year-end.

Refer to note 8 on derivative financial instruments for details of the forward foreign exchange contracts.

16.9 CAPITAL RISK MANAGEMENT

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of total equity, less amounts accumulated in equity related to cash flow hedges. The board of directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The board of directors seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital above 20%; in 2013 the return was 18.8% (2012: 16.4%). In comparison, the weighted average interest expense on interest-bearing borrowings was 7.3% (2012: no interest bearing debt).

The Group monitors capital using a debt to equity ratio. For this purpose, debt is defined as total liabilities (including deferred taxation) and equity comprises all components of equity. The Group's policy is to keep the ratio below 1.00. The Group's adjusted net debt to equity ratio at the end of the reporting period was 0.46 (2012: 0.26)

To date, the Group has not purchased its own shares on the market.

There were no changes in the Group's approach to capital management during the year.

17. REVENUE

	2013 R'000	2012 R'000
Revenue comprises of the following sales of abalone products:		
– Canned abalone	50 430	38 635
– Dried abalone	18 411	24 591
– Live abalone	7	–
– Spat sales	2 147	1 128
	70 995	64 354

18. OTHER INCOME

The following items are included in "Other Income":		
– Income from processing	745	329
– Shared infrastructure	408	370
– Insurance claim and rebates received	168	529
– Tourism income	32	28
– Profit on disposal of property, plant and equipment	–	126
– Other	336	480
	1 689	1 862

19. FAIR VALUE GAINS AND LOSSES IN FINANCIAL INSTRUMENTS

	2013 R'000	2012 R'000
The following items are included in Fair value gains and losses in financial instruments:		
– Realised foreign exchange gains	2 081	1 802
– Realised foreign exchange losses	(2 381)	(3 653)
– Unrealised foreign exchange gains	118	795
– Unrealised foreign exchange losses	(2 283)	(114)
Net fair value loss on financial instruments	(2 465)	(1 170)

20. PRODUCTION COSTS

Production costs comprise the following:

	2013 R'000	2012 R'000
– Utilities (electricity and water)	12 908	12 021
– Feed	7 349	6 402
– Consumables	1 005	1 005
– Chemicals	514	444
	21 776	19 872

21. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses comprise the following items:

	2013 R'000	2012 R'000
– Wages and salaries	19 713	18 712
– Directors' remuneration	2 254	2 299
– Adjustment to share-based payment accrual	530	1 064
– Adjustment to accrual for short term incentive	948	1 025
– Provident fund contributions	1 443	1 255
– Protective clothing	166	465
Total employee benefit expense	25 054	24 820

Remuneration paid to directors of the Company is detailed in the table below:

	2013 (R'000)						
	Professional fees	Basic salaries	Company contributions	Performance related	Share incentive scheme	Fees for meetings	Total
Executive director:							
CM du Plessis	–	1 232	61	347	–	–	1 640
Non-executive directors:							
HR van der Merwe	–	–	–	–	–	101	101
JN Hamman	–	–	–	–	–	35	35
Dr P du P Hugo	1 008	–	–	–	–	68	1 076
Dr P du P Kruger	–	–	–	–	–	74	74
GM Negota	–	–	–	–	–	68	68
SG Sokhela	–	–	–	–	–	71	71
CJ van Dyk	–	–	–	–	–	35	35
YJ Visser	–	–	–	–	–	74	74
JW Wilken	–	–	–	–	–	88	88
Total	**1 008**	**1 232**	**61**	**347**	**–**	**614**	**3 262**

Notes to the consolidated financial statements
for the year ended 30 June 2013 (continued)

21. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

	2012 (R'000)						
	Professional fees	Basic salaries	Company contributions	Performance related	Share incentive scheme	Fees for meetings	Total
Executive director:							
CM du Plessis	–	1 091	55	–	151	–	1 297
Non-executive directors:							
HR van der Merwe	–	–	–	–	–	96	96
JN Hamman	–	–	–	–	–	71	71
Dr P du P Hugo	933	–	–	–	–	64	997
Dr P du P Kruger	–	–	–	–	–	71	71
GM Negota	–	–	–	–	–	64	64
EJ Rossouw	–	–	–	–	–	32	32
SG Sokhela	–	–	–	–	–	32	32
CJ van Dyk	–	–	–	–	–	71	71
YJ Visser	–	–	–	–	–	71	71
JW Wilken	–	–	–	–	–	80	80
Total	**933**	**1 091**	**55**	**–**	**151**	**652**	**2 882**

Please refer to note 10 for details relating to the vesting of rights to executive directors in terms of the share-based payment plans.

22. PROFIT FROM OPERATIONS

Profit from operations is stated after the items below were taken into account:

	2013 R'000	2012 R'000
– Auditor's remuneration for audit services	156	142
– Amortisation and write-offs of trademarks	61	31
– Depreciation	6 890	5 543
– Maintenance	3 026	3 470
– Operating lease charges	233	257
– Professional fees	2 747	2 384
– Legal fees	179	58
– Net profit on disposal of property, plant and equipment	–	(124)

23. FINANCE COSTS

Finance costs comprises interest paid on the following interest-bearing debt:

– Bank overdraft	933	1
Total finance costs	933	1

24. INVESTMENT INCOME

	2013 R'000	2012 R'000
Interest received on cash and short-term funds	13	608

25. EARNINGS PER SHARE

25.1 BASIC

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Profit attributable to ordinary shareholders (R'000)	38 164	28 142
Weighted number of ordinary shares (thousands)	133 333	133 333
Basic earnings per share (cents)	28.62	21.11

25.2 HEADLINE

	2013	2012
Profit attributable to ordinary shareholders (R'000)	38 164	28 142
Adjusted for:		
– Net profit on sale of property, plant and equipment (R'000)	–	(124)
– Insurance claim and rebates received (R'000)	(168)	(529)
Headline earnings (R'000)	37 996	27 489
Headline earnings per share (cents)	28.50	20.62

Diluted earnings per share is not disclosed, as there are no potential dilutive instruments as at 30 June 2013.

26. NOTES TO THE STATEMENT OF CASH FLOW

26.1 CASH RECEIVED FROM CLIENTS

	2013 R'000	2012 R'000
Revenue	70 995	64 354
Other income	1 689	1 862
Plus: Receivables at the beginning of the year	5 362	4 195
Less: Receivables at the end of the year	(4 410)	(5 362)
	73 636	65 049

26.2 CASH GENERATED FROM OPERATIONS

	2013 R'000	2012 R'000
Profit before tax	51 840	39 593
Adjustments for non-cash items	10 050	4 798
– Amortisation and write-offs of trademarks	61	31
– Depreciation	6 890	5 543
– Depreciation allocated to feed production costs	124	–
– Straightlining of operating leases	(59)	(31)
– Net profit on sale of property, plant and equipment	–	(124)
– Unrealised gain on revaluation of foreign exchange contracts	(59)	(795)
– Unrealised loss on revaluation of foreign exchange contracts	2 283	114
– Reversal of prior year foreign exchange rate effects	129	–
– Reversal of prior year gain on foreign exchange contracts	795	143
– Reversal of prior year loss on foreign exchange contracts	(114)	(83)
Separately disclosed items in statement of cash flow	920	(607)
– Finance costs	933	1
– Investment income	(13)	(608)
	62 810	43 784
Changes in working capital:	(54 386)	(36 046)
– Increase in inventory and biological assets	(61 165)	(37 208)
– Decrease/(increase) in receivables	952	(1 167)
– Increase in trade payables	5 827	2 329
Cash generated from operations	8 424	7 738

26.3 FINANCE COSTS

Refer to note 23 on Finance costs.

26.4 INVESTMENT INCOME

Refer to note 24 on Investment income.

26.5 TAXATION PAID

	2013 R'000	2012 R'000
Secondary tax on companies (STC) paid	–	375

27. RELATED PARTIES

27.1 IDENTITY OF RELATED PARTIES

- Abagold Ltd owns 100% of the shares in a subsidiary, Abamax Abalone Farm (Pty) Ltd. The subsidiary did not trade during 2013.
- CM du Plessis is the only director of Abamax Abalone Farm (Pty) Ltd. He is also a director of Abagold Ltd.
- The executive management team and all directors are considered to be "key management personel" per IAS24. Executive management comprises of 6 (2012: 6) employees which includes one executive director, CM du Plessis. The board of directors is set out on page 23 of this report.
- Two directors of Abagold are also directors of Afropulse 496 (Pty) Ltd which has a 15% shareholding in Abagold.
- Three directors of Abagold are trustees on the Abagold Development Trust which has an 67% shareholding in Afropulse 496 (Pty) Ltd.

27.2 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

27.2.1 TRANSACTIONS WITH SUBSIDIARY

The following transactions between Abagold Ltd and its subsidiary, Abamax Abalone Farm (Pty) Ltd, occurred during the year:

	2013 R'000	2012 R'000
Rent charged by Abamax Abalone Farm (Pty) Ltd	111	109

At 30 June 2013 an amount of R26 102 was receivable from (2012: R12 909 receivable from) Abamax Abalone Farm (Pty) Ltd. This balance is non interest bearing and does not have fixed repayment terms.

27.2.2 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Remuneration paid to the executive management team for employee services is shown below:

	2013	2012
Basic salaries	4 138	3 888
Share-based payments	–	151
Company contributions	137	169
Performance related	1 058	–
	5 333	4 208

27.2.3 MATERIAL RELATED PARTY BALANCES

	2013 R'000	2012 R'000
Loans receivable include the following amounts to related parties:		
– Abagold Development Trust	167	167
	167	167

The loan to the Abagold Development Trust does not have fixed repayment terms nor does it bear interest.

27.2.4 SECURITIES ISSUED TO DIRECTORS

At the reporting date, the following number of securities in the Company are issued to directors or to any person related to them:

	Number of shares ('000)		
Director	**Direct**	**Indirect**	**Total**
CM du Plessis	52	–	52
Dr P du P Hugo	–	19 285	19 285
Dr P du P Kruger	–	15 000	15 000
GM Negota	100	15 067	15 167
YJ Visser	–	7 131	7 131

28. COMMITMENTS

28.1 CAPITAL COMMITMENTS

	2013 R'000	2012 R'000
Authorised by the directors		
– Contracted for	229	–
– Not contracted for	31 508	18 847

The proposed capital expenditure will be financed using existing bank facilities and cash generated from operations.

28.2 OPERATING LEASE COMMITMENTS

The Group rents certain of its farming land (the farms Sea View and Amaza) and the future minimum lease payments are as follows:

– within one year	351	319
– after one year, but not longer than five years	673	1 023
– after five years	–	1
	1 024	1 343

29. INVESTMENT IN SUBSIDIARY AND PRESENTATION OF COMPANY ANNUAL FINANCIAL STATEMENTS

Abamax Abalone Farm (Pty) Ltd is a 100% subsidiary of Abagold Ltd and incorporated in South Africa.

Due to the limited operations of Abagold's only subsidiary, Abamax Abalone farm (Pty) Ltd, being the renting of farming land (as stated in note 5) and immaterial effect in comparison to those of Abagold, no separate Company financial statements are presented. The annual financial statements of the Company, Abagold Limited, are similar, in all material aspects to those of the Group.

The separate annual financial statements of the Company are available on request.

30. EVENTS AFTER THE REPORTING PERIOD

No matter which is material to the financial affairs of the Company has occurred between the statement of financial position date and the date of the approval of the financial statements.

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