尊重

ABAGOLD

INTEGRATED REPORT 2014

THE ABALONE FARMING HUB OF HERMANUS

SHAREHOLDERS' DIARY

Important reporting and dividend dates

Financial year-end	30 JUNE 2014
Annual financial statements approved	19 SEPT 2014
Declaration of final dividend	19 SEPT 2014
Annual general meeting Saturday, 13 December 2014, at 09h30 The Class Room Restaurant and Function Venue, Hemel en Aarde Village, Hermanus	13 DEC 2014
Last day to register (LDR)	17 OCT 2014
Payment of final dividend	31 OCT 2014
Interim financial statements for the half-year to 31 December 2014	28 FEB 2015

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ABAGOLD
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ABAGOLD

VISION MISSION VALUES

INTEGRITY
RESPECT
QUALITY
INNOVATION
RESPONSIBILITY

Our Vision

To be the world's leading brand for quality abalone cultivation, processing and marketing.

Our Mission

We aspire to achieve our vision through innovation, science and aquaculture best practice. Absolute integrity, honesty and respect for our employees, clients, shareholders and our broader stakeholder community are critical to our success.

We are committed to a sustainable operation, providing equitable compensation to management and staff and commensurate returns to our shareholders, returning value to our stakeholder community through environmentally responsible practices, social upliftment and world-class operational excellence and profitability.

Our Values

Integrity	尊重	Through purpose and principle we ensure natural and safe products
Respect	廉正	For each other, shareholders, society and the planet
Quality	责任	Everything we do and produce
Innovation	革新	Striving for continuous improvement
Responsibility	质量	Towards all our stakeholders and the long-term sustainability of our Group

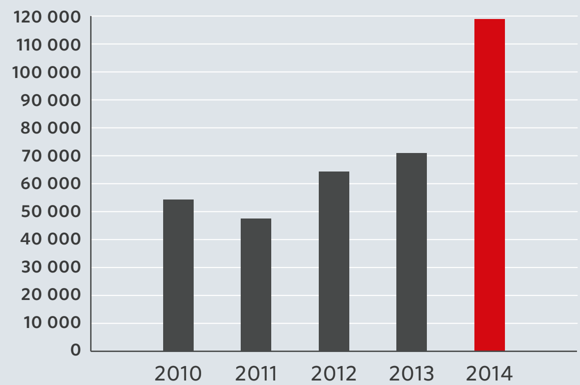
ACHIEVEMENTS DURING 2014

Highlights

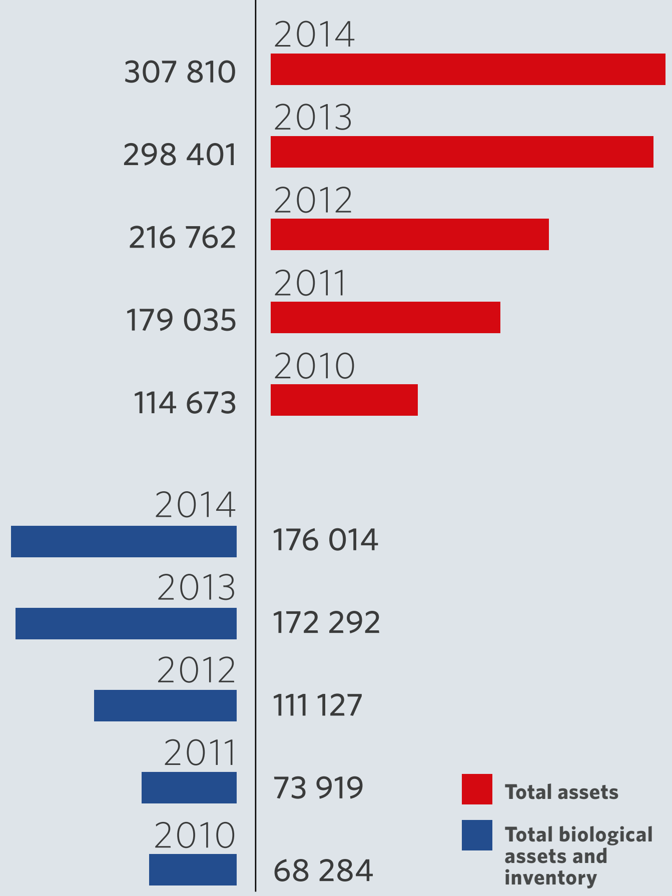
- Turnover grows to an impressive R119 million, an increase of 67% on 2013
- Good growth and reduction in inventory levels resulted in 335 tonnes live weight equivalents sold during the year (2013: 207 tonnes)
- Growth on the farms exceeds 300 tonnes
- Total tonnage on the farms increases by 4% to reach 495 tonnes
- Sulamanzi farm expands and houses 85.3 tonnes (2013: 51 tonnes), equivalent to nearly 4 million animals
- Our hatchery produces 5.9 million spats (2013: 4.3 million) and sells excess spats to the value of R1.5 million
- Average monthly production of formulated feed increases to 50 tonnes and first third-party sales are recorded
- Specialised Aquatic Feeds (Pty) Ltd is positioned as a wholly-owned subsidiary of Abagold to house the Group's feed production business. Construction of a new feed plant commences
- Abagold's processing facility receives its ISO 22000 certification
- Abagold re-enters the live abalone market for the first time in 10 years, selling 40 tonnes into this market
- 11 section managers and specialists successfully complete their Aquaculture Learnerships. Both of these were firsts in the Industry
- Total employment reaches 375 employees, making Abagold one of the largest private sector employers in Hermanus
- Abagold employs 42 learners as part of government's Workplace Skills Programme
- Mean Sea Level (Pty) Ltd (MSL) is positioned to pursue Abagold's renewable energy initiatives, and construction of wave energy and effluent recovery turbine kicks off. Abagold has a 43% shareholding in MSL
- Abagold enters a joint venture agreement to undertake feasibility studies and a pilot project for the development of an abalone farming business in Oman

THE PAST FINANCIAL YEAR HAS BEEN AN EXCITING ONE WITH A GREAT DEAL OF CHANGES, NEW RECORDS AND NOTEWORTHY ACHIEVEMENTS

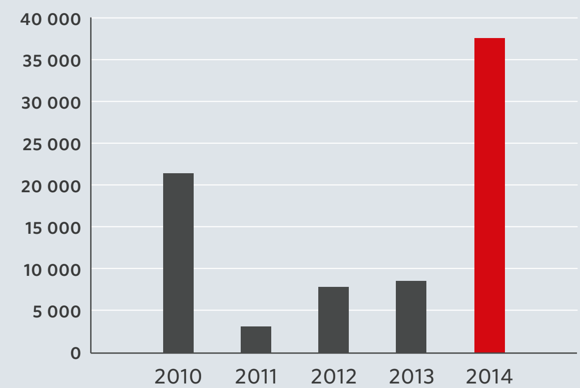
REVENUE R'000



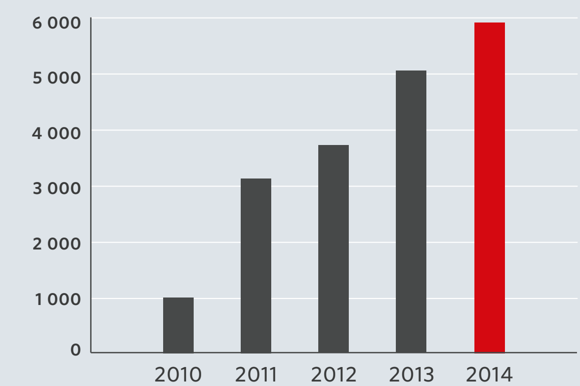
TOTAL ASSETS R'M



CASH GENERATED FROM OPERATIONS R'000



DIVIDENDS DECLARED R'000



BUSINESS MODEL AND STRATEGY

Abagold is the largest abalone producer in South Africa and the only one to export its abalone under its own registered Chinese trademark. The farms' abalone is processed in our world-class ISO 22000-accredited facility and sold on a sustainable basis through our established marketing channels.

Four tier business model	Description of tiers	Current status	10 year strategic objectives
Marketing	Brand/trademarks/ alliances	Abagold markets its own products and is respected as the top abalone producer from South Africa.	To achieve top prices by being the No. 1 abalone brand in our markets To unlock value through partnerships in export countries
Processing	Recipes/styles	Abagold owns a world-class ISO 22000-accredited processing facility which enables us to leverage off customer relations and acquired skills to satisfy market needs.	To achieve product diversification through processing and value-adding
Production	Grow out/farming operations	Abagold currently owns the following four farms: Sea View, Bergsig, Amaza and Sulamanzi. Ranching partners are identified and first spats are placed in the sea. 50/50 joint venture kicks off a pilot project for farming abalone in Oman.	To grow production of abalone to 1 000 tonnes per annum To diversify production of abalone through ranching and international presence To produce other complementary species, ultimately representing 25% of turnover To enhance production efficiency through selective breeding and husbandry
Infrastructure and systems	Hatcheries	Abagold owns a state-of-the-art hatchery which produces industry best spats for its own production and for selling to other farms.	World-class hatcheries producing top quality seed
	Management systems	Abagold is the forerunner in terms of operating and management systems. This enables us to manage nearly 40 000 baskets across our farms at 95% occupancy, well above the industry norm.	To establish scalable IT and management systems to support our growth strategy
	Feeds	Abagold has researched and developed several feed formulations and built its own feed manufacturing plant, already producing 60 tonnes of formulated feed per month for its farms. This reduces its dependency on harvested kelp feed.	To produce a range of feeds (natural and formulated) for own use and for sale
	Alternative energy	Abagold has invested in Mean Sea Level (Pty) Ltd (MSL) which is developing alternative energy solutions, including a world-first wave energy converter (WEC).	To pursue renewable energy options, especially wave energy, in order to maximise cost effectiveness and reduce dependence on the national grid To commercialise wave energy technology internationally

FIVE-YEAR REVIEW

495

TONNAGE ON FARMS

67%

REVENUE (ZAR) INCREASE

	GROUP				
	2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000
Statement of comprehensive income					
Revenue	**118 821**	70 995	64 354	47 483	54 290
Earnings before interest and tax (EBIT)	**35 692**	52 760	38 986	1 762	9 477
Net finance (charge)/income	**(1 885)**	(920)	607	1 095	(2 894)
Profit before taxation	**33 807**	51 840	39 593	2 857	6 583
Taxation	**(8 971)**	(13 676)	(11 451)	(1 011)	(1 115)
Net profit for the year	**24 836**	38 164	28 142	1 846	5 468
Fair value (loss)/gain on biological assets and inventory due to exchange rate changes	**12 314**	32 897	19 831	(10 331)	(472)
Net profit excluding value changes from exchange rates	**12 522**	5 267	8 311	12 177	5 940
Statement of financial position					
Total assets	**307 810**	298 401	216 763	179 035	114 673
Total current assets	**115 400**	120 011	73 212	76 836	34 695
Total non-current assets	**192 410**	178 390	143 551	102 199	79 978
Total biological assets and inventory ("stock")	**176 014**	172 292	111 127	73 919	68 284
Non-current portion of biological assets	**65 831**	56 750	45 586	30 141	36 847
Total current liabilities	**15 147**	43 428	7 734	6 343	28 358
Total liabilities	**84 348**	93 842	45 302	31 669	53 656
Total equity	**223 462**	204 559	171 462	147 366	61 017
Share capital and premium	**87 505**	87 505	87 505	87 505	5
SBP Reserve	**-**	–	–	313	176
Retained earnings	**135 957**	117 054	83 957	59 548	60 836
Statement of cash flow					
Cash generated from operations	**37 209**	8 424	7 738	3 062	21 164
Dividend paid	**5 933**	5 067	3 733	3 133	1 000
Purchases of property, plant and equipment	**13 074**	30 732	31 577	34 624	6 169

Financial ratios and exchange rates					
Solvency ratio	**3.6**	3.2	4.8	5.7	2.1
Current ratio	**7.6**	2.8	9.5	12.1	1.2
Acid test ratio	**0.3**	0.1	1.0	5.2	0.1
Return on equity	**11.1%**	18.7%	16.4%	1.3%	9.0%
Return on assets	**8.1%**	12.8%	13.0%	1.0%	4.8%
Operating profit margin	**30.0%**	74.3%	60.6%	3.7%	17.5%
Financing cost cover (times)	**18.9**	57.3	–	2.6	3.3
Average exchange rate for the year (R/$)	**10.24**	8.70	8.05	6.99	7.58
Closing exchange rate (R/$)	**10.63**	9.90	8.17	6.76	7.66
Earnings per share (cents)	**18.63**	28.62	21.11	1.48	5.47
Dividends per share (cents)	**4.45**	3.80	2.80	2.51	1.00
Weight on the farm (in tonnes)	**495**	474	398	384	323

DATES THAT MADE HISTORY

19 84

Dr Pierre Hugo, then a veterinarian in Hermanus, starts researching the secrets of breeding abalone in captivity

19 89

Based in the Old Harbour, Hermanus, experiments are undertaken to breed abalone

19 91

A pilot hatchery is set up in the Old Harbour

19 93

Permit is received to cultivate, harvest and sell abalone

500 000 abalone larvae released into the Old Harbour for re-seeding

19 95

The business is incorporated into Hermanus Abalone (Pty) Ltd

19 98

Sea View abalone farm with 60 tonne per annum capacity is established in the New Harbour

19 99

First 100kg of live farmed abalone is exported to the Far East

2002

R35 million is raised through a share issue and bank loans to finance the purchase and construction of Bergsig abalone farm in Hermanus

2003

The first of 1 000 tanks are placed on Bergsig

Hermanus Abalone (Pty) Ltd changes its name to Abagold (Pty) Ltd

2004

The staff complement grows to 120 employees

2005

The Bergsig development is completed

2006

Abamax Abalone Farm (Pty) Ltd is set up in the New Harbour, Hermanus, as a joint venture with an empowerment partner

Abagold's world-class processing facility is commissioned

First dried abalone is exported

2007

Abagold develops the "Pure Gold Abalone" brand and sells its first dried product under its Chinese brand

Abagold becomes the sole owner of Abamax Abalone Farm (Pty) Ltd (the farm Amaza)

2008

Abagold is converted to a public company and starts an "over-the-counter" market for its shares

The staff complement grows to 240 employees

2010

Abagold purchases a 7ha site adjacent to the New Harbour to develop an integrated aquaculture facility, named Sulamanzi

Abagold concludes a BEE transaction by issuing 25% plus 1 share for cash

2011

Amaza farm is fully developed with a capacity of 7 500 baskets

Construction of the Sulamanzi project is started including a new water treatment dam and secondary pump house

Abagold's processing facility is awarded the prestigious HACCP certification

2012

The first of 15 units on Sulamanzi are commissioned and 2 million abalone are moved onto the farm

Abagold unveils its alternative energy plans, including a world first wave energy converter design

A new computer-aided sorting system is installed at Sea View

A formal human capital strategy is developed

Abagold takes delivery of its first two Rodelta pumps, each providing a pumping capacity of 5 000 m^3/hr

Construction of a new Head Office building is started

Our farms produce a record growth of 240 tonnes

2013

Revenue grows by 10% to R71 million and net profit before tax is 31% higher

Record growth of 310 tonnes is recorded, 29% higher than in 2012

Total tonnage on the farms increases by 19% to reach 474 tonnes

Administrative staff move into the newly built Head Office on the Sulamanzi site and Sea View staff facilities are expanded and upgraded

Live weight sold during the year increases from 205 tonnes to 207 tonnes

Newly developed Sulamanzi farm reaches 11 500 baskets and houses 50 tonnes

Our hatchery produces a record 4.3 million spats and sells excess spats to the value of R2.1 million

Abagold becomes self-sufficient in the manufacturing of its formulated feed needs, producing 30 tonnes per month

The lease and environmental approval is obtained for the construction of its wave energy converter

Conversion of farms to the new water reticulation and filtration system commences

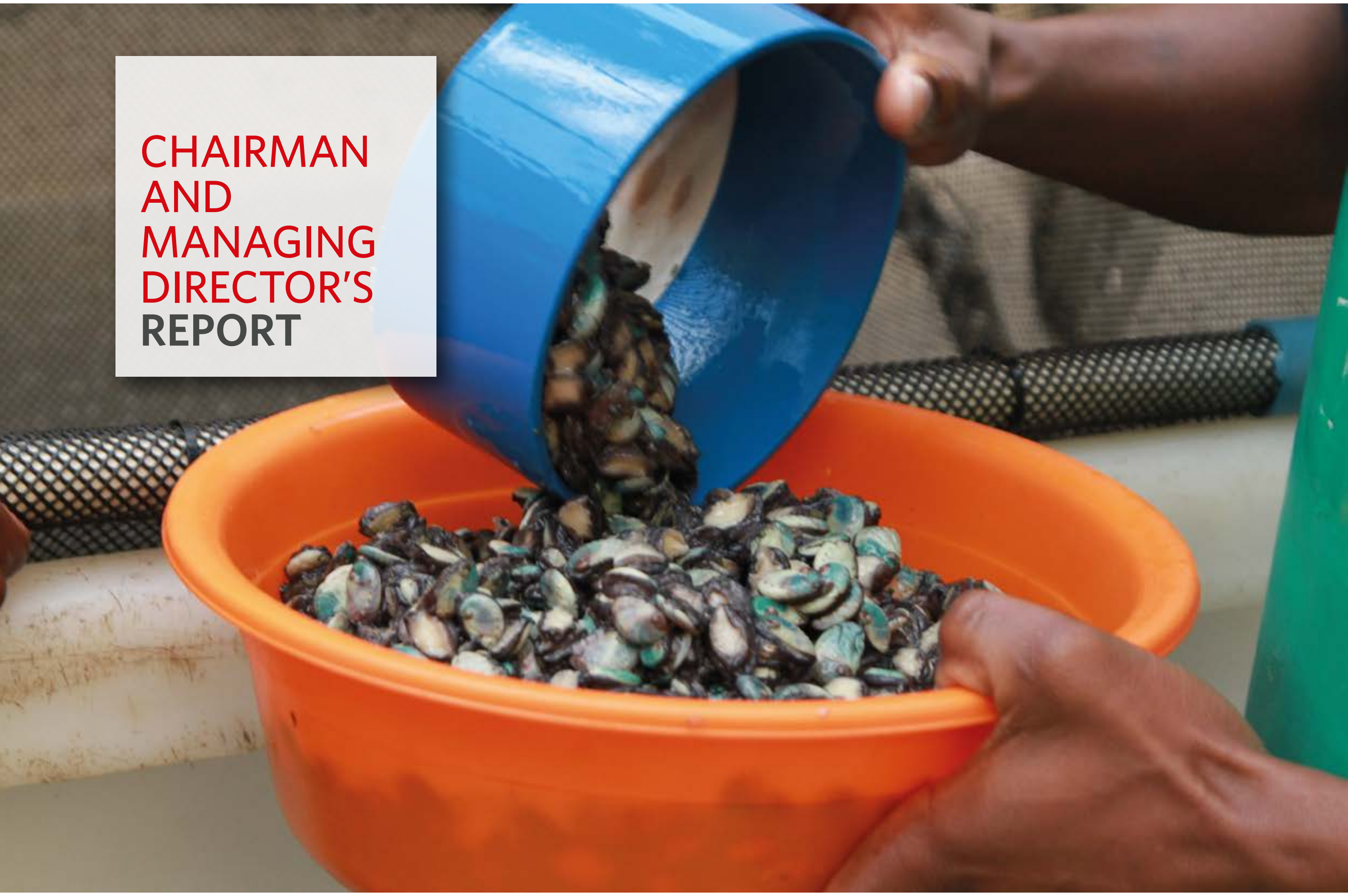
Abagold wins the inaugural South African Premier Business Award for Exporter of the year 2013

Abagold wins the Cape Chamber of Commerce Innovation Award

2014

Refer to page 06 for a list of achievements during 2014

ABAGOLD BECOMES SELF-SUFFICIENT IN THE MANUFACTURING OF ITS FORMULATED FEED NEEDS



CHAIRMAN AND MANAGING DIRECTOR'S REPORT

Overview of the year ended 30 June 2014

In order to address all key aspects in our business, yet avoid duplication, we have this year combined the Chairman and CEO reports into one. We trust you will find this format both convenient and informative.

Financial results for the past year
Abagold performed well in what was a quite difficult year. Bottom line performance, achieved without unduly delaying our longer-term growth plans, can be described as pleasing.

Our operating results are largely shaped by three elements – sales, production performance and costs.

Sales is the result of tonnages sold, USD prices achieved and Rand/USD exchange rates that applied. We sold a record 334 tonnes of live equivalent abalone, 61% more than the previous year. Prices achieved were 15% lower in USD terms due to weaker market conditions and smaller average sizes of abalone sold. Lower USD prices were compensated for by an 18% weaker Rand exchange rate. The net result is that turnover increased by a healthy 67% to R119 million from R71 million in the previous year. This includes R18.5 million of live abalone sales, a market we re-entered this year.

Production performance was flat at 305 tonnes total growth (2013: 310 tonnes). We recorded lower growth in the last six months of financial 2014 due to space constraints and longer sorting intervals. Lower market demand generally but increased demand for smaller abalone, caused us to deviate from our planned harvesting program by harvesting smaller animals. This meant that less popular larger abalone had to remain in their baskets for extended periods. This was a managed process and by July 2014 the situation had normalised.

Costs remained tightly controlled, but two factors contributed to a 22% increase in total cost from the previous year.

Firstly, export costs were significantly higher due to airfreight charges for live abalone. Abalone in canned and dried format is shipped almost exclusively by sea but live abalone is exported by air at significantly higher expense. Fortunately these higher export costs are recovered in higher sales prices per kilogram for live abalone, reflected in the increased turnover.

Secondly, with the expansion of the Sulamanzi farm our costs are increasing in line with the growing levels of activity on the farm. This trend will continue until we reach full production on Sulamanzi at the end of calendar year 2015.

The following are the salient features of the results for the 2014 financial year compared to the previous year:

	30 June 2014 12 months	% Change	30 June 2013 12 months
Turnover (Rand)	**R118.8m**	67.3	R71.0m
Turnover (USD)	**$11.3m**	37.8	$8.2m
Average exchange rate	**R10.24/$**	17.7	R8.70/$
Live equivalent tonnes sold	**335 tonnes**	61.8	207 tonnes
Tonnes growth recorded	**305 tonnes**	(1.6)	310 tonnes
Average USD sales price/kg	**$33.6/kg**	(14.8)	$39.4/kg
Total expenses	**R83.6m**	22.4	R68.3m
Net profit before tax	**R33.8m**	(34.7)	R51.8m
Cash generated from operations	**R37.2m**	342.9	R8.4m
Sales price per kg (Rand)	**R355/kg**	3.4	R343/kg
Cost per kg growth recorded	**R271/kg**	23.2	R220/kg

Please also refer to the traditional form results below for more detailed analysis of the operational results.

The South African Rand weakened by 7.4% against the US Dollar, our trading currency, as measured on 30 June each year. However, the average exchange rate applying "improved" by 17.7% from R8.70 in 2013 to R10.24 in 2014, contributing to our increase in turnover.

We reduced inventory levels of finished goods that had built up in 2013 by 30%, which enabled us to achieve record sales levels of 335 tonnes live equivalent (207 tonnes in 2013) despite flat growth in tonnes for the year.

The demand for abalone recovered late in calendar 2013 but at lower prices, and these price pressures continue. As a result our average sales prices in US Dollars were 15% lower. This was partly due to sales of smaller average size abalone. Severe austerity measures implemented by the Chinese government as well as economic uncertainties in China have led to a drop in consumption of all abalone products in that market since January 2013. Producers worldwide, including Abagold, have had to shift their sales efforts to other abalone consuming countries such as Hong Kong, Singapore and Malaysia. This increase in supply forced prices lower in these markets.

THE QUALITY OF OUR PRODUCTS, BOTH PROCESSED AND LIVE ABALONE, ENSURED THAT WE SURVIVED SOME OF THE MOST DIFFICULT MARKET CONDITIONS IN A DECADE, AND EMERGED STRONGER THAN BEFORE

Cash generated from operations increased by 343% from R8.4 million last year to R37.2 million in 2014. Increased turnover from reducing inventory levels of finished goods as well as profitable trading of third-party abalone enabled this increase.

We applied for and received a R5.5 million government grant under the Aquaculture Development and Enhancement Program (ADEP) as a first claim in recognition of development capital expenditure. Whilst this amount boosted our cash flow, it will be recognised as income over a twenty year period, in line with the depreciation of the assets it relates to. The ADEP program was approved for a two-year period, but our second claim will be smaller, based on the reduced R13 million development spent in the past year.

Development of the Sulamanzi project was paused from October 2013 until May 2014 in response to depressed market conditions during the period. Our capital spent for the year was therefore only R13 million compared to R28 million in the previous year. Development of Sulamanzi has been resumed and the bulk of the abalone production capacity will be installed by the end of the 2015 financial year. Funding for this project was raised through the issue of new shares in 2011. At year end we had 85 tonnes and 4 million abalone on this new farm out of a total of 500 tonnes and 10 million abalone on all our farms combined.

Fair value adjustments to biological assets and inventory have a material impact on our results due to changes in prices and exchange rates reflected in these. To facilitate an improved understanding of the Company's core operational performance we present an alternative income statement below in traditional form, reconciled to the reported results.

Profit from Operations is the reported profit excluding the effect of any *unrealised* currency exchange gains or losses arising from the revaluation of biological assets and inventory from year-to-year. This result amounted to R31.1 million for 2014 compared to only R9.1 million in 2013, due to the higher increase in turnover over costs.

	% Change	30 June 2014 R'000	30 June 2013 R'000
Revenue	67	118 821	70 995
Cost of sales	77	(46 469)	(26 305)
Gross profit	**62**	**72 352**	**44 690**
Other income	69	2 855	1 689
Net realised forex gain/(loss)	(350)	744	(298)
Sales costs	242	(7 637)	(2 230)
Administrative expenses	3	(21 473)	(20 788)
Depreciation	19	(8 259)	(6 951)
Other operating expenses	6	(7 438)	(6 991)
Profit from operations	**241**	**31 144**	**9 121**
Finance charges	102	(1 885)	(933)
Investment income	(100)	-	13
Realised profit before tax	**257**	**29 259**	**8 201**
Production costs capitalised in stock	106	958	(15 361)
Unrealised fair value adjustments	(94)	3 722	61 165
Unrealised forex gain/(loss)	(94)	(132)	(2 165)
Profit before tax	(35)	33 807	51 840
Taxation	(34)	(8 971)	(13 676)
Net profit	**(35)**	**24 836**	**38 164**
Gross profit %		61%	63%
Realised profit %		26%	12%
NPBT %		28%	73%

Business overview

Total biomass growth for the year was similar to the 2013 performance at 305 tonnes. We expect an improved operational performance in the 2015 year due to the increased biomass on the farms. The added capacity from the Sulamanzi project contributed to growth, but a difficult market forced us to sell some younger, faster growing abalone and keep older abalone that otherwise would have been harvested. This situation has returned to normal by year end and is unlikely to be repeated.

The quality of our products, both processed and live abalone, assisted us in weathering some of the most difficult market conditions in a decade, and emerging stronger than before. Our production pipeline has been adjusted to also produce popular abalone sizes for live export in future, thereby broadening our offering and diversifying our exposure to the different abalone markets.

Processing facility

Our state-of-the-art processing facility became the first such abalone facility in South Africa to obtain the prestigious ISO 22000 Food Safety Management system accreditation which assures customers of the quality of our products in addition to ensuring food safety.

We processed a record 400 tonnes of live abalone in our facility over the year, which included some 100 tonnes of contract processing for others.

Marketing and sales

Lower prices throughout our markets forced us to follow suit but the effect was that our quality offering became more affordable to a wider market, and we managed to sell increased volumes. The lower prices were mostly made up for by a weaker Rand exchange rate against the US Dollar.

Our successful re-entry into the live abalone market saw us gaining significant market share in the market for South African abalone into Japan, Hong Kong, Singapore and Taiwan. We will look to increase our market share in these markets in years to come. We are in a quite unique position to offer very large farmed abalone on a consistent basis.

We managed to clear our inventory of dried abalone, at reduced prices, in a market where there is very little consumption at present due to a ban on state banquets and economic uncertainty in China. Clearing the dried abalone inventory boosted our cash flow and assisted with the reduction of debt to minimal levels.

Outlook

Production

Existing farms: Our Sea View, Amaza and Bergsig production pipeline is performing at full capacity and we expect this to continue. We continue to enhance productivity through further improvements in our own formulated feeds, selective breeding programme and husbandry practices.

We concluded the 2014 year with a cumulative 495 tonnes of abalone on the farms (2013: 474 tonnes), on par with our planned pipeline weight.

Sulamanzi project: The Sulamanzi abalone pipeline will be housed on nine identical production units, of which five have been completed at the date of this report. The remaining four units will be completed over the next twelve months and will be financed by utilising a 10-year bank loan.

Hatchery: We have sold R1.5 million of abalone spat to other South African abalone farmers during the year and plan to continue with these sales in the next year.

Ranching
Abalone ranching is the placing of abalone seed in an accommodating natural marine environment (i.e. the ocean) where it does not occur naturally, to grow and prosper. We have negotiated a 20% shareholding in Port Nolloth Sea Farms Ranching (Pty) Ltd (PNSFR) who are experienced ranching operators on the Northern Cape Coast and have obtained all necessary Government permissions for this project.

Abagold will contribute seed stock from our hatchery in Hermanus, with the other shareholders contributing funding and their time and expertise for the first seven years. Abagold has the first right to purchase, process and market all animals harvested by PNSFR. To date more than 100 000 juveniles have been placed in the ocean. The target is to place a further 50 000 juveniles per month.

Feed
We have been manufacturing formulated abalone diets successfully for the past two years for use on our own farms. We have now started selling these diets to other abalone farming entities in South Africa. We will use a wholly-owned subsidiary, renamed Specialised Aquatic Feeds (Pty) Ltd, from July 2014 to focus on the opportunity to manufacture and sell different feeds for farmed aquatic species, both locally and abroad. An investment in production equipment is being made to add significant capacity and ensure world-class quality feeds are produced. This facility will also be working towards attaining the ISO 22000 accreditation.

Oman
We are researching the cultivation of the Haliotis mariae species of abalone in the Sultanate of Oman on a 50/50 joint venture basis with a local Omani business partner, the Muscat Overseas Group. If proven viable, the joint venture will establish an abalone farm on land in that country.

Energy
Abagold's alternative energy projects were transferred to Mean Sea Level (Pty) Ltd (MSL) in exchange for a material stake in that company. This gives the projects the necessary focus and ability to raise the dedicated funding required from external sources and limits Abagold's risk in these ground-breaking initiatives. MSL is obliged to conclude the Abagold alternative energy projects before embarking on any other projects. Abagold has the right to purchase electricity from the first two demonstration projects on a cost-recovery basis.

In conclusion, we will continue to focus on expanding abalone production, maintaining profit margins on sales and tending to new projects to ensure diversification of our income streams in our chosen industry and attaining robust future earnings growth.

Dividend
The Board is pleased to announce a final dividend for the 2014 financial year of 5.0 cents per share. This dividend is more than double the 2.2 cents per share declared as a final dividend for the 2013 year. The total dividend for the 2014 financial year will amount to 7.25 cents per share (2013: 3.5 cents per share).

Board of directors
Stoffel van Dyk, Operations Manager, was co-opted to the Board during the year and will retire and be eligible for re-election at the AGM.

In line with the policy of the Board, Paul Kruger, Hennie van der Merwe, Hannes Wilken and Sandile Sokhela are all required to retire by rotation, but have declared themselves available for re-election.

The board of directors reluctantly accepted Christo's decision to resign from the Company at the end of March 2015, fully appreciating his vision and leadership over many years in developing the business and placing it on a firm growth footing. The foundation has been laid to grow production and sales sustainably as we bring new capacity on-stream. We are in the process and look forward to identifying the right candidate to lead our excellent team and continue with the good work.

Acknowledgements
Abagold is guided by an experienced and diverse board of directors and we wish to thank them for their dedication to the group.

The management and staff of Abagold continue to build a business that shareholders and stakeholders can be proud of. We are thankful for their commitment and energy.

Hennie van der Merwe
Chairman

Christo du Plessis
Managing Director

THE SURVIVAL AND SUCCESS OF THE BUSINESS IS DIRECTLY RELATED TO ITS PEOPLE AND ITS INTERACTION WITH NATURE

BOARD OF DIRECTORS

1 HR VAN DER MERWE
Non-executive director
Chairman of the board of directors
Chairman of the remuneration and nomination committee

2 CM DU PLESSIS
Managing director

3 DR P DU P HUGO
Non-executive director

4 DR P DU P KRUGER
Non-executive director
Remuneration and nomination committee member

5 GM NEGOTA
Non-executive director

6 SG SOKHELA
Non-executive director
Audit and risk committee member

7 CH VAN DYK
Operations director

8 YJ VISSER
Non-executive director
Audit and risk committee member

9 JW WILKEN
Non-executive director
Chairman of the audit and risk committee
Remuneration and nomination committee member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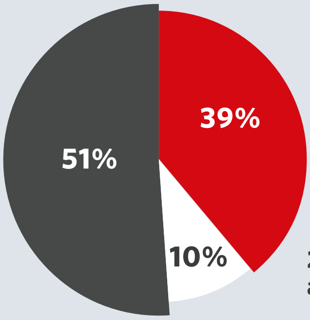
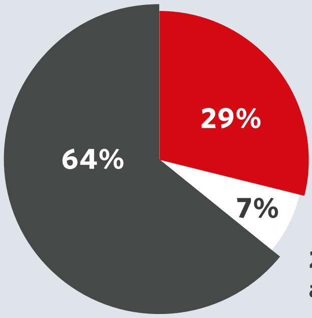
VALUE-ADDED STATEMENT



2014 Value allocation



2013 Value allocation

Stakeholders
Capital suppliers
Retained in the Company

Value added is a measure of the wealth that the Group has created through its operations. The following statement illustrates how this value was allocated:

Value-added statement for the year ended 30 June 2014

	GROUP	
	2014 R'000	2013 R'000
Revenue	118 821	70 995
Other income	2 855	1 689
Investment income	–	13
Fair value gains and losses on financial instuments	612	(2 465)
Changes in biological assets and inventory	(4 882)	49 896
Production costs	(24 284)	(21 776)
Operating costs	(16 742)	(10 096)
Value added	**76 380**	**88 256**
Applied as follows:		
Employees and advisors		
To auditors	202	156
To legal advisors	44	179
To employees	26 140	22 800
To directors	2 898	2 254
	29 284	**25 389**
Capital suppliers		
To lenders as finance charges	1 980	1 050
To shareholders as dividends	5 933	5 067
	7 913	**6 117**
Reinvested		
By the Company for future expansion and growth	18 904	33 097
By the Company for maintaining capital	20 279	23 653
Depreciation and maintenance	11 308	9 977
Deferred tax	8 971	13 676
	39 183	**56 750**
Value distributed and retained	**76 380**	**88 256**

CORPORATE GOVERNANCE

Good corporate governance remains a dominant theme throughout Abagold's business. The governing structures responsible for directing and controlling the fruition of Abagold's strategic objectives have remained unchanged during 2014.

Besides ensuring that all decision-making takes place against the backdrop of Abagold's stated values, good corporate governance must include a system of structure, control and execution. This includes creating a balance between the expectations of our stakeholders, in particular:

- stakeholders who are affected by our business and/or our operations;
- parties who could potentially influence our business; and
- those who have an interest in what we do or how we do it.

The board of directors ("the Board") remains the focal point and custodian of corporate governance. Therefore, it is committed collectively and individually to ensuring that sound governance principles are fully integrated into all aspects of the business. The Board takes ownership of the accountabilities and responsibilities assigned to it in this regard, and are dedicated to the execution thereof.

Creating value for all our stakeholders is a priority. We acknowledge that this can only be achieved through sustaining a culture that is based on a foundation of sound governance and business ethics, which includes taking cognisance of the present and future needs of those who have an interest in Abagold.

Compliance framework

The King Report on Corporate Governance Principles ("King III"), which was released on 1 September 2009 with an effective date of 1 March 2010, highlighted a new evolution and enhanced focus on corporate governance and, in particular, sustainable business practices.

The recommendations outlined in King III were, to a large extent, entrenched by the Companies Act. King III continues to be regarded as an important milestone for South Africa, which is positioning itself at the forefront of promoting sound corporate governance principles in the international domain.

Abagold endorses and remains fully committed to following the principles and practices of good corporate governance as set out in King III. By implementing them, the Board binds itself to the principles of fairness, accountability and transparency and fully understands its responsibility to all stakeholders of the Company.

Companies Act, Act 71 of 2008

Abagold Limited is a public company duly incorporated in South Africa under the provisions of the Companies Act, Act 71 of 2008, as amended, and Regulations thereto ("the Companies Act").

During 2013 certain steps were undertaken to ensure adherence to the new requirements of the Companies Act. Continued awareness of, and compliance with, these provisions in daily operations, corporate structuring and governance, were the focus during 2014.

The board of directors

Abagold has a fully functional board of directors that leads and controls the Company. The Board is responsible for strategic direction, management of risks, and sustainability.

The Board is guided by its formalised terms of reference and remains responsible for ensuring that the necessary systems and processes are in place so that objectives are achieved on an on-going basis. The Board also guides management in setting Group strategies and business plans, whilst being mindful of the long-term effect these could have on the triple bottom line – its stakeholders (people), financial results (profits) and the environment (planet).

Composition and size

At the date of this report the Board consists of seven non-executive directors and two executive directors elected by the shareholders.

The chairman of the Board is an independent, non-executive director and the roles of the managing director and the chairman are separate. This meets the requirements of the Companies Act and the Company's memorandum of incorporation (MOI).

The company secretary is appointed by the Board. The non-executive directors rotate on a three-year basis. All appointments to the Board are formal and transparent and are considered a matter for the Board as a whole.

The Board members are listed on page 21 of this report.

Roles and responsibilities

The Board is responsible for the overall performance of the Company. The Board meets its responsibilities by giving strategic leadership, appointing competent management, delegating responsibilities in a structured manner, assessing business plans and budgets and monitoring their implementation and results, and overseeing risk management.

The directors have a wide range of expertise in the areas of general commerce, law, finance, aquaculture and marketing. Besides this expertise, the Board exercises leadership, integrity and judgement based on fairness, accountability, responsibility and transparency so as to achieve sustainable prosperity for the Company.

The Board is responsible for the nomination and induction of new directors. Non-executive directors are selected for their broader knowledge and experience and are expected to contribute effectively to decision-making and the formulation of strategies and policy.

Executive directors contribute their insight of day-to-day operations, enabling the Board to identify goals, provide direction and determine the feasibility of the strategies proposed. These directors are generally responsible for taking and implementing all operational decisions.

Company secretary

The secretary is an integral part of Abagold's corporate governance process and has a number of tasks that include:

- Responsibility for ensuring that the proceedings of all shareholders' meetings, Board meetings and its subcommittee meetings are properly recorded. This includes circulating the minutes and agendas in a timely manner;
- Assisting the Board on good corporate governance principles and directors' duties, responsibilities and powers, i.e. collectively and individually;
- Responsibility for reporting to the Board any failure on the part of the Group and/or a director to comply with the MOI, any of the rules of the Company or the requirements outlined in the Companies Act;
- Overseeing the induction of new directors, and responsibility for regular briefings and training of directors and prescribed officers regarding applicable laws and regulations; and
- Coordinating the process of evaluating the Board and its subcommittees.

The directors have unrestricted access to the advice and services of the secretary.

Board committees

The Board has established the following committees to assist it in discharging its duties and responsibilities:

- **The remuneration and nomination committee**, comprising three non-executive directors, advises the Board on remuneration philosophies and terms of employment and is responsible for succession planning. Its purpose is to ensure that executive directors and senior management are remunerated fairly, responsibly and appropriately and that the remuneration scales and conditions of employment are market-related and serve to both attract and retain the required talent.

- **The audit and risk committee**, comprising three non-executive directors, elected by shareholders, reviews the adequacy and effectiveness of the financial reporting process; the system of internal control; the management of financial, technological and operational risks; the appropriateness of accounting policies; interim and annual financial statements; the external audit processes; the Company's process for monitoring compliance with laws and regulations; its own code of business conduct; and procedures implemented to safeguard the Company's assets. The committee approves the nomination of the external auditor and the external auditor's fees for audit services and non-audit services. KPMG Inc. were re-appointed as the external auditors, and the audit and risk committee is satisfied that they are independent.

  An independent non-executive director is chairman of the committee. The committee has a formal mandate and its effectiveness is evaluated by the Board in terms thereof.

  The committee meets four times per year. The external auditors, the managing director, the operations director and the financial manager attend these meetings by invitation, as required. Any other non-executive director may attend any meeting of the committee. The external auditors have unrestricted access to the committee and its chairman.

Meetings and quorums

The Memorandum of Incorporation requires three directors to form a quorum for Board meetings. A majority of members, preferably with significant representation of the non-executive directors, are required to attend all committee meetings.

The Board meets on a quarterly basis or more frequently if circumstances require it. Both its committees also meet at least four times a year.

The table below depicts the attendance of the members serving on the Board and its committees during the year:

	Directorate	Audit and risk committee	Remuneration and nomination committee
Number of meetings held	4	4	4
Attendance by directors:			
HR van der Merwe (Chairman)	4	–	4
CM du Plessis (MD)	4	4†	4†
P du P Hugo	4	4†	–
P du P Kruger	4	–	4
GM Negota	4	–	–
SG Sokhela	3	3	–
CH van Dyk	3*	2*†	–
YJ Visser	4	4	–
JW Wilken	4	4	4

* Appointed effective 24 February 2014 † Attended by invitation

Materiality and approvals framework

Issues of a material or strategic nature, which can impact on the reputation and performance of the Company, are referred to the Board. Other issues, as mandated by the Board, are dealt with at senior management level.

The minutes of all the committee meetings are circulated to the members of the Board. Issues that require the attention of the board are highlighted and included as agenda items for the next board meeting.

Remuneration principles

The Company's policy that guides the remuneration of all directors and senior management is aimed at:

- Retaining the services of existing directors and senior managers;
- Attracting potential directors and senior managers; and
- Providing directors and senior management with remuneration that is just and fair.

We seek to attract, retain, and develop high-performing employees, and motivate them to perform in alignment with business objectives. We aim to recognise and reward performance and innovation, recognising those who deliver outstanding work and embraces our core values. The reward framework focuses on five key elements, that, when integrated, effectively attract, retain and motivate employees to achieve business results. These are:

- Compensation
- Benefits
- Development and career opportunities
- Performance and recognition
- Work/life balance

The following statements define our overall policy for each element:

Compensation

We aim to attract and retain employees by benchmarking average base pay at the median (50th percentile) of our selected comparator groups and for our relevant geographic area. We started implementing this objective during 2013 and, while this has not yet been fully achieved across all job categories or individuals, we aim to move towards this over the next three years. Over time we aspire and aim to pay above median rewards when performance consistently exceeds agreed objectives, through the use of non-guaranteed incentive pay.

Benefits

Abagold aims to provide benefits comparative to and set to the median of our elected comparator groups. We realise that this will take us a number of years to achieve, and this will be incorporated into our annual cost of employment budgets.

Development and career opportunities

We promote a culture of continuous learning and development by providing all employees with learning and development opportunities, for the purposes of:

- Enabling employees to acquire the necessary knowledge and skills to perform their jobs effectively, thus creating a rewarding job role; and
- Creating internal capability to fill vacant positions, thus providing employees with opportunities for challenge, personal growth and development.

WE SEEK TO ATTRACT, RETAIN, AND DEVELOP HIGH-PERFORMING EMPLOYEES, AND MOTIVATE THEM TO PERFORM IN ALIGNMENT WITH BUSINESS OBJECTIVES

Performance and recognition

In 2012 we started implementing a performance management system that aligns individual objectives to that of the Company. We have a well-established short-term incentive programme, aligned to achieving and exceeding budgeted results.

Work/life balance

We recruit and retain valuable employees by fostering an organisation culture that is respectful of work/life balance, diversity and inclusion. We develop and promote relevant policies and interventions to achieve this.

In accordance with these objectives, every year the remuneration and nomination committee reviews and evaluates the contribution of each director and member of senior management and determines his or her annual salary adjustments. For this purpose it also considers salary surveys compiled by independent organisations.

The remuneration of the non-executive directors consists of a fixed annual amount for services as a director, an additional amount for duties on committees, and reimbursement for travel and other costs. The remuneration of executive directors consists of remuneration (which includes incentives) as employees. Executive directors receive no additional remuneration in their capacity as directors.

Among other remuneration aspects, these principles are included in the Company's formal remuneration policy which was approved by shareholders at the last annual general meeting held on 14 December 2013.

Duties of directors

The Companies Act places certain duties on directors and determines that they should apply the necessary care and skills in fulfilling their duties. To ensure that this is achieved, best practice principles, as contained in King III are applied where appropriate.

The directors are responsible for ensuring that the operations of the business are known to them to enable them to fulfil their fiduciary duties, and the company secretary is responsible for ensuring that directors are kept abreast of all legislation and changes to the legislation.

After evaluating their performance in terms of their respective charters, the directors are of the opinion that the Board and its committees have discharged all their responsibilities.

Directors' interests

Mechanisms are in place to recognise, respond to and manage any potential conflict of interest. At least once a year directors sign a declaration stating that they are not aware of any undeclared conflicts of interest that may exist due to their interest in, or association with, any other company. In addition, directors disclose interests in contracts that are of significance to the Company's business and do not participate in the voting process of these matters.

All information acquired by directors in the performance of their duties, which is not disclosed publically, is treated as confidential. Directors may not use, or appear to use, such information for personal advantage or for the advantage of third parties. All directors of the Company are required to comply with the Abagold Code of Conduct and the requirements of the JSE regarding insider information, transactions and disclosures of transactions.

Risk management and internal control

The board relies on systems of internal control and accounting information systems, the objective of which is to provide reasonable assurance that assets are being safeguarded and that the risk of errors, fraud or losses is effectively being kept to the minimum. These control measures, which are contained in written policy documents and procedures, include the delegation of responsibilities and powers within a clearly defined framework, effective accounting procedures and the separation of duties and monitoring.

The audit and risk committee monitors the appropriateness of, and compliance with, the internal control and advises the Board in this regard. During the year under review, no material deterioration in the functioning of these control measures was reported.

Share trading

The Company has adopted a code of conduct for insider trading. During closed periods directors and designated employees are prohibited from dealing in the Company's shares. Directors and designated employees may only deal in the Company's shares outside the closed period, with the authorisation of the chairman or the managing director. The closed period lasts from the end of a financial reporting period until the publication of the financial results for that period. Additional closed periods may be declared from time to time if circumstances warrant such action.

WE RECRUIT AND RETAIN VALUABLE EMPLOYEES BY FOSTERING AN ORGANISATION CULTURE THAT IS RESPECTFUL OF WORK/LIFE BALANCE, DIVERSITY AND INCLUSION

Abagold Limited shareholders have been able to trade publicly in the companies' shares on an "Over the Counter" platform for a number of years. The Financial Services Board published a directive in the Government Gazette of 11 July 2014 requiring that any unlicensed exchanges (such as the FNB platform on which the Abagold trades were conducted) either cease operating as an exchange, or apply for the required licenses. Our OTC platform fell within the definition of an exchange and as such we have had to cease this trading facility from the end of July 2014, as FNB has decided not to apply for such licenses.

Although there is uncertainty in the market regarding the eventual outcome of OTC trading, we are liaising with our brokers and other potential providers who have applied for a licence to act as an exchange. At the date of this report no alternative share trading mechanism had been found. Shareholders will be updated as this matter progresses.

Ethics

Abagold subscribes to sound principles of ethics and good business practice, and the directors believe that the ethical standards and the criteria for compliance with these standards are being met. A formal documented code of ethics is in place and is the source of reference for questions of an ethical nature.

Going concern

The financial statements are compiled in accordance with International Financial Reporting Standards (IFRS) and the policies are implemented with consistency.

The Board considers these financial statements, as well as the forthcoming year's business plan, budgets and the liquidity position in the context of the greater national and global economy, with particular focus on the economies of those countries we export to, in order to form its opinion on the Company's ability to trade as a going concern.

The Board's opinion pertaining to the appropriateness, validity and disclosure of the annual financial statements and explanations are set out in the Directors' Responsibility Statement and Approval on page 43 of the integrated report.

SUSTAINABILITY REPORT

The production cycle to grow an abalone to 300 grams takes around five years. Besides this being a relatively long production cycle, the process takes place in harmony with its natural surroundings and is dependent on sea water, feeds and energy. Sustainability is essential to Abagold and the future of the business. Being in a primary aquaculture industry it is not hard to understand that the survival and success of the business is directly related to its interaction with nature and its people.

Abagold recognises the strategic importance of sustainable development. As a business reliant on the ocean, it is vulnerable to the effects of storms and pollution. At the same time, the activities of the Company could have significant potential impact on the environment if effluent water or waste and water discharges are not carefully controlled or energy is not used in a responsible manner.

With over 350 employees, Abagold's expansion plans will have a significant impact on job creation. The skills available within the Company and external to it can be both a competitive advantage and a potential constraint if future skills requirements are not mapped and retained. The Company affects the communities that surround its operations through direct and indirect environmental and social impacts. Through the initiatives of our Abagold Development Trust, the Company endeavours to invest in the upliftment of these same communities.

Abagold remains committed to the continuous improvement of our operations, governance, transformation and sustainability initiatives. We recognise the sustainability issues that materially affect our organisation, and value the opportunities that our stakeholders unlock.

Governance

Abagold's Board is a dedicated team, responsible for developing sustainable strategy and leading the business in a manner that holds each stakeholder accountable to these principles. The Board delegates this responsibility to the executive committee which retains oversight on the appropriate implementation and management.

The Company's sustainability strategy aims to support its vision of "being the world's leading brand for quality abalone cultivation, processing and marketing" and to support the successful implementation of its strategic priorities:

Progress

During the year Abagold built on the sustainability strategy and implementation plan developed in the previous reporting period. During the past financial year, sustainability in the Company was advanced by:

- Entrenching sustainability behaviour in our stated values;
- Obtaining ISO 22000 Food Safety Management system in our processing facility;
- Progressing with alternative energy initiatives;
- Registering for exports to USA;
- Developing value-add products for retail customers;
- Moving towards becoming self-sufficient in the manufacturing of formulated feed;
- Creating jobs through expansion and training;
- Improving employee engagement; and
- Launching the two-year Workplace Challenge Programme (now called the "Abagold Way")

Values

As mentioned above, the alignment of our sustainability behaviour with Abagold's values was further entrenched during 2014 across all levels of the organisation.

Abagold's values	Sustainability behaviour
Integrity Through purpose and principle we ensure natural and safe products	Be original and authentic Demonstrate stewardship Strive for compliance
Respect For each other, shareholders, society and the planet	Involve all stakeholders Be considerate
Quality Everything we do and produce	Take pride Be efficient with resources
Innovation Striving for continuous improvement	Be proactive Empower employees and communities
Responsibility Towards all our stakeholders and the long-term sustainability of our Company	Act responsibly Deliver on commitments to all stakeholders

Strategy

At its meeting held in February 2014, the Board performed its annual review of its strategy. It was confirmed that shareholder wealth must include the principles of sustainability, with focus in the following strategic areas:

- Alternative "green" energies
- Product and market diversification
- Vertical integration of supply chain (such as production of own feeds)
- Employment equity targets
- Shift to integrated aquaculture
- Sustainable employee engagement

The following 12 sustainability elements were confirmed as material to the business and remain focus areas in the coming years as we work toward achieving our strategic goals:

THE POSITIVE RESULTS ACHIEVED SERVE TO ENCOURAGE MANAGEMENT TO ACTIVELY SUPPORT PROGRAMMES IN PLACE AND EMPLOYEES TO EMBRACE THE OPPORTUNITIES AVAILABLE TO THEM

Element	Category	Priority
Saving, recovering and generating electricity	Economic	High
Sustainable supply chains and use of Fair Trade suppliers	Social	High
Sustainability skills and talent initiatives	Social	High
Sustainable community development	Social	High
Carbon emissions management and trading capabilities	Environment	Medium
Effluent water and waste management	Environment	Medium
Reducing the amount of packaging in sales	Economic	Medium
Smart buildings	Environment	Medium
Green information technology	Environment	Low
Maintaining partnerships with environmental organisations	Social	Low
Promoting green transport initiatives for employees	Environment	Low
Sustainability performance management and disclosure	Social	Low

Many of these elements are already areas of focus within Abagold. A priority rating and current indicative score has been assigned to each element to ensure that focus is placed on the appropriate elements.

Management is in the process of developing key performance indicators (KPIs) to enable Abagold to understand and manage performance against the full range of issues.

Human capital

Our employees

FY14 will be remembered for the significant focus on and achievement in the growth and development of our human capital. This has served to strengthen our position in Hermanus and the Aquaculture industry as an Employer of Choice.

The Deloitte Survey on Human Capital trends in South Africa has shown that the top five business issues faced in South Africa in regard to human capital are:

- Leadership (77%)
- Retention and engagement (71%)
- Diversity and inclusion (70%)
- Workforce capability (70%)
- Talent acquisition and access (69%)

Abagold continues to have strategies in place to address all these critical business challenges, and we can look back and say that, without exception, Abagold has been able to effectively deal with any of these challenges and in many instances turn these into our strengths. This continues to demand significant focus and commitment across the business. The positive results achieved serve to encourage management to actively support programmes in place, and employees to embrace the opportunities available to them.

Key competitive advantage will arise from a team of high-performing, motivated, well-trained employees who are passionate about what they do. At Abagold we believe empowerment gives people responsibility and also the opportunity to embrace that responsibility. The Workplace Challenge Programme where all employees participate in their mini business units has been an excellent vehicle to enable this.

Employment

Aquaculture forms part of the agriculture industry. While this industry contributes only 2.2% of South Africa's gross domestic product (GDP), it makes up 5.5% of its employment (up from 4.7% in 2012). This figure, though, is misleading, as Statistics SA reports show a real job loss of 55 000 in this sector, with 30% of employees in this sector showing no income and therefore engaged in subsistence farming. The Department of Economic Development and Tourism launched a workplace skills programme to create learning and work placement opportunities for unemployed youth in the Western Cape's economic sectors in order to improve the future employment prospects of participants. Abagold employed 42 learners, of which 26 will be indefinitely placed at the end of their six-month contract in 2014. In addition to this Abagold employment numbers increased by 12% year-on-year, due to the continued development and the live export requirements.

Employee relations

The World Economic Forum placed South Africa in 147th place for its hiring and firing practices in the latest annual competitiveness report, 148th for worker-employer relations and 146th for its education system. There were only 148 countries ranked.

The International Monetary Fund, following its 2013 Article IV consultation (this is essentially a snapshot of how it sees the economies of member countries), highlighted labour issues as a major structural issue the country is facing, citing "burdensome regulations" and the "insider-outsider dynamics" caused by collective bargaining.

This is a bleak picture indeed. In 2013 Abagold entered into a two-year wage agreement. As previously stated, this positive outcome was possible because of our on-going belief that our employees are key stakeholders in our business and to that end we remain committed to open communication, anchored in our values that enable a trust relationship.

This year we continued to work on maintaining and enhancing this. We continue to share information openly with shop stewards and ensure that we consistently practise fair labour relations. Abagold has had no CCMA findings for a second year running now. We are committed to sound relationships which serve to enhance productivity and performance and which are not purely compliance-orientated.

Organisational development
A key strategic objective continues to be the creation and building of a high-performing organisation. We focus on five key elements which are outlined below.

It is important to remind ourselves that organisational development is concerned with facilitating and managing organisational change to improve performance. Our focus has therefore continued to be on the five critical elements to create and sustain a high-performing organisation.

Some aspects over the past year have included:

- Promotion and appointment of new managers, section managers and supervisors. Most of these were made internally and they have been equipped with on-going management development.
- The Abagold strategy is cascaded to individual level annually. The departmental objectives form part of the managers' performance compact upon which she or he will be evaluated. Each department reports progress against objectives on a monthly basis. By adopting this integrated approach we ensure continuous improvement and renewal.
- Each department consists of mini business units (MBUs). These MBUs will focus on weekly and monthly targets and identify innovations, which are included in the Recognition Programme.
- The Workplace Challenge Programme (Kaizen) through Productivity SA has now been renamed The Abagold Way, as it is no longer a programme but rather the way we do business. During September 2014 Abagold was announced the winner of the Productivity SA Regional Awards (Western Cape). We look forward to attending the National Awards ceremony later this year.
- Performance and potential are determined through our bi-annual performance reviews. Performance is measured against clearly-defined goals set out at the commencement of the financial year in direct alignment with the business strategy. Our Talent Pipeline is identified through the use of the "nine-box grid", a matrix tool used to evaluate and plot our talent pool, based on two factors, which are performance and potential.
- We continue to have business briefings with our employees where we share company results and plans and answer any questions that may arise. Based on the output of these sessions we develop briefing packs which can then be shared in each MBU.

In 2014 we plan to measure our actual level of "organisational high-performance" through the HPO Centre, which was established by Dr Andre de Waal.

Diversity
Abagold remains committed to employment equity and to ensuring that all occupational levels broadly reflect the demographics of our regional economically active population. The executive management and the remuneration and nomination committee of the Board are accountable for enabling and monitoring employment equity progress in the Company. We understand the draft amendments to the Employment Equity Amendment (EEA) Act and have ensured that we comply with the requirements in advance of the actual proclamation of the legislation. Our recruitment and promotion over the past year has enabled us to meet the targets set and agreed in the previous year by the employment equity committee.

The table on the following page indicates the occupational levels as per our employment equity report (which includes fixed-term employees).

Training
The purpose of training and development at Abagold is to improve the knowledge, skills and performance of employees enabling Abagold to meet its business objectives. Equipping employees to acquire new skills, expertise and qualifications supports employee progression which leads to increased motivation. This supports Abagold's retention and employment equity strategies.

Abagold was the first abalone farm in the country to invest in adult basic education and training (ABET) as the primary means of improving employees' communication and numeracy skills. This

	Coloured		White		African		
Level	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Total**
Top management	0	0	5	1	0	0	**6**
Senior management	2	2	6	3	0	0	**13**
Middle management	4	1	6	1	3	3	**18**
Junior management	8	4	3	5	16	9	**45**
Semi-skilled	13	11	1	0	64	19	**108**
Unskilled	9	4	0	0	154	31	**198**
TOTAL	**36**	**22**	**21**	**10**	**237**	**62**	**388**

education and training is the foundation for further development of employees.

At a foundation level both Adult Education and Training (AET) and life-skills training continues to be rolled out to interested employees. A total of 278 AET certificates have been awarded to date. One of our AET learners is shortlisted for the Best Performing AET Learner award in Agriculture by the AgriSETA Annual Excellence Awards in South Africa. The function will take place on 17 September 2014.

The life skills programme not only focuses on HIV/AIDS and TB, but also on building effective relationships, substance abuse, personal hygiene, financial management, and decision-making. Abagold also included positive parenting skills as part of our life-skills training. "Building" is the theme throughout the training, as parents are in the business of building young people. Guidelines and tools are provided throughout the course to encourage and motivate parents to successfully raise our next generation.

Abagold identified the need for aquaculture training through learnerships. The accredited learning material was presented to selected Abagold employees as skills courses over a period of three years. The learners accumulated a total of 120 credits which qualifies as a full learnership in animal production. This year eight Abagold employees were the first to obtain this qualification in the aquaculture industry in South Africa. Abagold is already in the process of training the next group of 23 employees to obtain this qualification as well.

During 2014 we invested, on average, 729 hours per month in training and development across all levels of employment and spent 3.5% of our remuneration costs on training and development.

Occupational health

We place a priority on ensuring the occupational health and safety of our employees, and make every effort to embed health and safety into our culture. We comply fully with the Occupational Health and Safety Act, 85 of 1993, including its regulations, as well as the Compensation for Occupational Injuries and Diseases Act, 130 of 1993.

To that end, and because we value the wellness of our employees and their families, we have extended the services that our occupational health clinic offers. Employees with chronic and acute problems are treated at their place of work while working in close collaboration with local medical facilities.

Abagold again held an Employee Wellness Day in support of World Aids Day during which industrial theatre was used for HIV and substance abuse education. Extensive wellness testing was available to employees and this was subsequently repeated later in the year. We believe that it is only through pro-active health screening that we are able to take the important pro-active step in maintaining our future good health and by knowing our status to be able to live responsibly. Opportunities for screening were also made available to employees on other occasions through the year.

We continue to work closely with Family and Marriage Society of South Africa (FAMSA) in Hermanus to provide counselling services as may be required by our employees from time to time.

Our attendance figures are above the average for this and other sectors and this is attributable to the valued service rendered through our occupational clinic.

Safety

Abagold actively promote and improve the safety and health of its employees including contractors, service providers, and visitors on. This approach to safety and health requires an absolute adherence to standards at all times and intolerance of unsafe acts and conditions in accordance with the Occupational Health and Safety Act, 85 of 1993.

PROCESSING FACILITY OBTAINS THE PRESTIGIOUS ISO 22000 FOOD SAFETY MANAGEMENT SYSTEM ACCREDITATION

During this past year Abagold intensified its occupational health and safety drive by:

- Implementing safety talks (toolbox talks) in all mini business units on a daily basis.
- Training and retraining all appointed health and safety representatives, first aiders and fire fighters.
- Reviewing and renewing all mandatory safety signs, and displaying safety information and awareness signs throughout all farms.
- Awarding recognition awards for champions of safety.

Abagold is not only committed to complying with all applicable legal requirements, but is serious about creating a safety culture.

Remuneration: Attracting and retaining critical skills
The Company remuneration philosophy, strategy and policy as approved by the remuneration committee in 2013 remain unchanged.

The strategy's main aim is to attract, retain and develop high-performing employees, and motivate them to perform in alignment with business objectives. We aim to recognise and reward performance and innovation, recognising those who deliver outstanding work and embrace our core values.

We continue to monitor remuneration trends and obtain market information on an annual basis. We know that wages in agriculture remain a burning issue. Abagold's minimum wage is 57% more than the Sectoral Determination (SD) for farm workers as set by the Department of Labour.

South Africa has one of the biggest pay gaps in the world. A recent publication by Mergence Investment Managers, a South African fund management company, shows that the ratio of total CEO pay to average company pay for companies our size is approximately 73 times. For Abagold, this ratio of CEO pay to lowest-paid employee is 38 times. Abagold continues to budget for increases in excess of inflation. This is in accordance with our remuneration strategy and is envisaged to continue for three more years.

Transformation in Abagold
During 2013 Abagold obtained a verified Black Economic Empowerment rating from an independent agent based on 2012 inputs and results. This confirmed the Company as a Level Eight Contributor and at a 10% Recognition level. This score is somewhat disappointing. Despite having 25% Black ownership, most of the underlying debt is outstanding and vesting at this stage is minimal. At the time of this report Abagold is having a BEE verification carried out, based on its 2014 financial year.

Abagold acknowledges the importance of successfully reaching our empowerment objectives and has embarked on a number of strategies to effectively deliver on our commitments.

Effective engagement with all stakeholders will be fundamental to the successful implementation of our transformation strategies and regular opportunities will be created to ensure buy-in is obtained at all levels.

Interaction with communities
One of the outcomes of Abagold's BEE transaction in 2011 was the formation of the Abagold Development Trust. The Trust's objectives include activities in the areas of education, development programmes and job creation in the Greater Hermanus area and in advancing community upliftment and development of poor and needy persons in Mount Pleasant, Hawston and Zwelihle.

The Trust is a 10% shareholder in Abagold and, once the underlying debt resulting from the purchase of shares in Abagold is repaid, its objectives will be financed by dividends from Abagold.

In the meantime, Abagold continues to use the Trust as its corporate social investment vehicle and channels its donations through the Trust to facilitate the establishment of the Trust in the targeted communities. During the year selection criteria have been developed and agreed for beneficiaries of the Trust.

Through the Trust, donations were made to the Waldorf School for the establishment of a vegetable garden, rainwater retention and reticulation system and the launch of the Positive Parenting programme, which has since been adopted by Abagold as well and rolled out to a number of other schools in Hermanus. Donations were also made to Whalecoast Conservation in support of the Eco Schools Programme in Mount Pleasant and Zwelihle.

Governance principles and practices are agreed for the effective management of beneficiaries.

Abagold has its own choir, made up entirely of our own employees and they were invited to perform as part of the Hermanus Fine Arts Festival. They received coaching from Dr Kotze through the Enlighten Trust. They have since performed at private functions, by invitation.

Sadly, in the year under review, two of our employees were killed and one passed away after a long struggle with cancer. An employee suggested that memorial services be held for them. These memorial services were organised by employees who also conducted the services. We found that this was highly valued by their families as well. It is an example of Respect, a core Abagold value.

Ethics

As a Board we take governance, compliance, and ethics very seriously – they underpin our deliberations and decision-making and align us with the spirit and guidelines of King III. Abagold values are core to its business philosophy and guide the way Abagold conducts its business and interacts with all stakeholders. Our values are Respect, Responsibility, Integrity, and Quality and Innovation. Champions of our values are recognised through our Recognition Programme.

A formalised policy details Abagold's code of ethical and acceptable conduct, with the values supporting all aspects of this code. Our Code of Ethics governs how Abagold conducts its business.

Environmental matters

Environmental management

Our main environmental objective is to minimise and manage our impact on the environment. We will achieve this by embedding environmental principles into our farming activities and by identifying and implementing best practices. In the short- to medium-term (one to three years) we intend to examine our entire value chain's level of exposure to environmental impact and thereafter define suitable long-term adaptation plans.

Regulatory and non-regulatory requirements

Abagold's activities in primary aquaculture are highly regulated and require compliance with various laws and standards. In this regard the Integrated Coastal Management Act focuses on the conservation of coastal resources and protection of the environment. The National Environmental Management Act is also key legislation ensuring environmental sustainability in our industry. The Marine Living Resources Act provides the framework under which we received our rights and permits to farm.

Abagold's processing facility received its Hazard Analysis and Critical Control Point (HACCP) accreditation through the internationally recognised certification agency, SGS. Compliance with food safety standards is achieved as all canned products are tested and approved by the National Regulator for Compulsory Specifications (NRCS) prior to export. Our products are measured against the guidelines set by the Food and Agriculture Organisation (FAO).

During 2014 the processing facility obtained the prestigious ISO 22000 Food Safety Management System accreditation which assures customers of the quality of our product in additional to ensuring food safety.

Energy consumption

The cost of electricity is a large contributor to the Company's bottom line. To that extent, systems and processes are continuously monitored and evaluated to ensure optimum energy efficiency.

In July 2013 Abagold started running its standby diesel generators during peak hours in the winter months. This was brought about by substantial increases in electricity tariffs over the past few years that saw the operation of the generators become more cost effective than power supplied by Eskom via the Overstrand Municipality. The capital investment component of the cost calculation was ignored since the generators are a requirement for the sustainability of the business. Research from a survey by Benjamin K. Sovacool (2008) indicates that the life-cycle greenhouse gas emissions for diesel generators are in the order of 778 g CO_2/kWh_e. In comparison, the equivalent for a typical coal power plant is 820 g CO_2/kWh_e. This reduced carbon footprint is an added benefit for running the generators in lieu of Eskom supplied power.

During the past year, all but one farm has been transferred to the new water reticulation system which was commissioned in 2013 and a substantial benefit to total energy consumption has been experienced. More water is being distributed to the farms due to increased biomass, with energy consumption being similar to that of 2013.

ABAGOLD VALUES ARE CORE TO ITS BUSINESS PHILOSOPHY AND GUIDE THE WAY ABAGOLD CONDUCTS ITS BUSINESS AND INTERACTS WITH ALL STAKEHOLDERS

ABAGOLD IS NOT ONLY COMMITTED TO COMPLYING WITH ALL APPLICABLE LEGAL REQUIREMENTS, BUT IS SERIOUS ABOUT CREATING A SAFETY CULTURE

The reduction of energy usage is not merely a function of switching off non-productive energy consumers. A tremendous amount of gain in terms of energy savings is achieved through systems optimisation, then component optimisation and finally through effective maintenance. As mentioned above, Abagold has been reaping the benefits of its improved systems. It has further evaluated and replaced where applicable, components which are not seen as industry-leading optimised energy consumers. High-efficiency electrical motors and blowers are being phased into the system as older equipment becomes obsolete or fails. Effective maintenance is essential to ensure all equipment are being kept in an optimum condition. Abagold has implemented an integrated maintenance programme offered and hosted by Pragma, leaders in the field of asset management and care.

Pipelines are a necessity in any industry reliant on fluid transmission, and for Abagold that means the transfer of almost 10×10^6 l/hr of filtered sea water. Latest technology glass-reinforced polyester (GRP) pipes with a large diameter and very low friction coefficient are used for all new developments or upgrades to existing infrastructure. The smooth and hardened internal surfaces of these pipes also reduce fouling, resulting in reduced friction losses, which is a major contributor to energy waste.

Abagold is involved in the planning of two separate energy generation plants. One is the installation of a turbine to extract energy from the return flow of water to the sea. The other is the design, building and operation of a wave energy converter (WEC) to harness the energy in the waves and convert that to electrical energy. All approvals, including EIA and lease of sea space, were obtained during 2013, and a separate company called Mean Sea Level (Pty) Ltd (MSL) was created to pursue the energy interests of Abagold. MSL is a stand-alone company of which Abagold is a major shareholder.

The commissioning of the energy recovery turbine (ERT) is expected in the latter part of the 2014 calendar year. Energy from this system will feed directly into Abagold's internal grid. The processing and manufacturing sites for the WEC have been established and gantry structures installed all the way to the water's edge. The moulds to cast the main sea wall's components are being manufactured and commencement of operations into the sea is expected in early January 2015.

As Abagold's energy partner, MSL will continuously investigate other sustainable energy generation solutions, i.e. wind turbines, solar, other WECs, etc.

Noise pollution is also being closely monitored. The blowers have latest technology noise dampeners installed. Further work is required on reducing the noise pollution of the generators. This will be done during 2015.

Feed consumption

It has become increasingly important to manage feed efficiency and feed sources to internationally accepted environmental standards. Over the years, Abagold has reduced its dependency on kelp harvested from the sea by using 33% less kelp, thereby reducing pressure on natural resources. The company is, however, still dependent to some degree on kelp and buys legally-harvested kelp from a well-managed resource and we will strive to reduce this further.

Abagold produces its own formulated feed to replace the kelp. As feed efficiency and raw material selection is central to feed production and responsible aquaculture practices, over the past year Abagold has spent considerable effort on improving feed formulations with regards to feed conversion ratio. We have also spent considerable effort on selection of only approved and registered sustainable raw materials.

Effluent water and waste management

Abagold continuously monitors and evaluates samples of our effluent to ensure compliance with the relevant regulations. We comply with the standards set by the Department of Water Affairs and monitored by the Department of Agriculture, Forestries and Fisheries.

Annual consolidated financial statements

for the year ended 30 June 2014

CONTENTS

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

These consolidated 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 consolidated statement of financial position at 30 June 2014 and the consolidated 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 and its subsidiary to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

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

Approval of consolidated annual financial statements

The consolidated annual 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
19 September 2014

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 2014, 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
19 September 2014

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, after which it has been 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 with 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 the King Report on Corporate Governance Principles ("King III"), as follows:

- Reviewed the interim 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 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 18 September 2014, 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

There were no changes to the composition of the committee during the year. 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 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	13 Dec 2013	24 Feb 2014	13 Jun 2014	18 Sept 2014
SG Sokhela	Present	Present	Absent	Absent
YJ Visser	Present	Present	Present	Present
JW Wilken	Present	Present	Present	Present

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
19 September 2014

Directors' report

for the year ended 30 June 2014

The directors are pleased to submit their annual report as part of the annual consolidated financial statements for the year ended 30 June 2014.

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, statement of changes in shareholders' equity, statement of cash flows and notes thereto.

Share capital

Full details of the authorised and issued share capital appear in note 10 to the financial statements.

Dividends

During the year the Company declared a final dividend of R2.9 million relating to the 2013 (2013: R3.3 million relating to 2012) financial year and an interim dividend of R3.0 million for the 2014 (2013: R1.7 million relating to 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:

HR van der Merwe (Non-executive and chairman of the board)
CM du Plessis (Managing director)
P du P Hugo (Non-executive)
P du P Kruger (Non-executive)
GM Negota (Non-executive)
SG Sokhela (Non-executive)
CH van Dyk (Executive director; appointed on 24 February 2014)
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 24 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

These committees met quarterly and are chaired by non-executive directors. Membership to these committees is set out on page 21.

Directors' report

for the year ended 30 June 2014 (continued)

Events after the reporting period

Other than the specific events disclosed in note 33 to the financial statements, 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

	2014	2013
Specialised Aquatic Feeds (Pty) Ltd [previously Abamax Abalone Farm (Pty) Ltd]	100%	100%

Details of the Company's investment in subsidiary are set out in note 32.

Investments in joint ventures

	2014	2013
Oman Aquaculture Co LLC	50%	–
Mean Sea Level (Pty) Ltd	43%	–

Details of the Company's investments in joint ventures are set out in note 6.

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 14 December 2013 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 consolidated statement of financial position at 30 June 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 90.

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 2014, 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 2014 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

19 September 2014

Consolidated statement of financial position

at 30 June 2014

	Notes	**2014 R'000**	2013 R'000
ASSETS			
Non-current assets		192 410	178 390
Property, plant and equipment	2	117 707	113 506
Biological assets	3	65 831	56 750
Trademarks	4	140	155
Goodwill	5	7 979	7 979
Equity accounted investments	6	753	–
Current assets		115 400	120 011
Current portion of biological assets	3	85 883	83 049
Inventories	7	24 300	32 493
Trade and other receivables	8	4 667	4 410
Derivative financial instruments	9	550	59
Total assets		307 810	298 401
EQUITY AND LIABILITIES			
Equity		223 462	204 559
Share capital	10	7	7
Share premium		87 498	87 498
Retained earnings		135 957	117 054
Total equity		223 462	204 559
Non-current liabilities		69 201	50 414
Deferred income tax	12.2	58 347	49 376
Deferred income grant	13	4 492	–
Long term borrowings	14	4 225	–
Trade and other payables	15	2 137	1 038
Current liabilities		15 147	43 428
Current portion of deferred income grant	13	348	–
Trade and other payables	15	12 408	14 346
Derivative financial instruments	9	670	2 283
Cash and cash equivalents	16	1 721	26 799
Total liabilities		84 348	93 842
Total equity and liabilities		307 810	298 401

Consolidated statement of comprehensive income

for the year ended 30 June 2014

	Notes	2014 R'000	2013 R'000
Revenue	20	**118 821**	70 995
Other income	21	**2 855**	1 689
Fair value gains/(losses) in financial instruments	22	**612**	(2 465)
Purchases of biological assets	7	**(8 604)**	(11 269)
Changes in biological assets	3	**11 915**	40 675
Changes in inventory	7	**(8 193)**	20 490
Production costs	23	**(24 284)**	(21 776)
Employee benefit expenses	24	**(29 038)**	(25 054)
Depreciation and amortisation		**(8 259)**	(6 951)
Other operating expenses		**(20 133)**	(13 574)
Profit from operations	25	**35 692**	52 760
Finance costs	26	**(1 885)**	(933)
Investment income	27	**-**	13
Profit before income tax		**33 807**	51 840
Income tax expense	12.1	**(8 971)**	(13 676)
Profit for the year		**24 836**	38 164
Total comprehensive income for the year		**24 836**	38 164
Basic earnings per share (cents)	28.1	**18.63**	28.62
Diluted earnings per share (cents)	28.1	**18.63**	28.62

Consolidated statement of changes in shareholders' equity for the year ended 30 June 2014

	Share capital R'000	Share premium R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 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**
Total comprehensive income for the year	**–**	**–**	**24 836**	**24 836**
Dividend paid	**–**	**–**	**(5 933)**	**(5 933)**
Balance at 30 June 2014	**7**	**87 498**	**135 957**	**223 462**

Consolidated statement of cash flows

for the year ended 30 June 2014

	Notes	**2014 R'000**	2013 R'000
Cash flow from operating activities		**35 312**	7 504
Cash received from clients	29.1	**121 419**	73 636
Cash paid to suppliers and employees		**(84 222)**	(65 212)
Cash generated from operations	29.2	**37 197**	8 424
Finance costs	26	**(1 885)**	(933)
Investment income	27	**–**	13
Cash flow from investment activities		**(13 366)**	(30 750)
Purchases of property, plant and equipment	2	**(13 074)**	(30 732)
Proceeds from disposal of property, plant and equipment		**48**	–
Investment in equity accounted entities	6	**(328)**	–
Purchases of trademarks	4	**(12)**	(18)
Cash flow from financing activities		**3 132**	(5 067)
Increase in deferred income grant	13	**4 840**	–
Increase in long term borrowings	14	**4 225**	–
Dividends paid to shareholders		**(5 933)**	(5 067)
Net cash flow for the year		**25 078**	(28 313)
Cash and cash equivalents – beginning of the year		**(26 799)**	1 514
Cash and cash equivalents – end of the year	16	**(1 721)**	(26 799)

Notes to the consolidated financial statements

for the year ended 30 June 2014

1. ACCOUNTING POLICIES

Abagold Limited (the "Company") is a company domiciled in South Africa. The consolidated financial statements at 30 June 2014 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 of the Company are presented separately from the consolidated financial statements and have been approved by the directors at the same date as these financial statements.

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.

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.

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, plant 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.

Notes to the consolidated financial statements

for the year ended 30 June 2014

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, biological assets and inventories (see accounting policy note for deferred tax, biological assets and inventories), are reviewed at each reporting date to determine whether there is 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

Non-financial 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.

1.13 IMPAIRMENT OF ASSETS

Financial assets (continued)

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.

1.15 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

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.

Notes to the consolidated financial statements

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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.

1.22 LEASES (CONTINUED)

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 present 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.

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 board of directors.

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 is calculated by adjusting the earning 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

1.26.1 Judgements and estimates

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.

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.

1.26.2 Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the financial manager. Significant unobservable inputs and valuation adjustments are reviewed regularly. If third-party information, such as market prices, is used to measure fair values, then such evidence is assessed to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group audit and risk committee.

1.26 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

1.26.2 Measurement of fair value (continued)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs are used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entity in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes relating to biological assets (note 3), share-based payments (note 11) and financial instruments (note 19).

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

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. These include the following Standards and Interpretations that are applicable to the business of the entity and may have an impact on future financial statements:

- IFRS 10, IFRS 12 and IAS 27 amendment — Investment Entities (effective 1 January 2014);
- IAS 32 — Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014);
- IFRS 11 — Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016);
- IAS 16 and IAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016);
- IFRS 15 — Revenue from contracts with customers (effective 1 January 2017); and
- IFRS 9 — Financial Instruments (effective 1 January 2018)

1.28 NEW ACCOUNTING STANDARDS ADOPTED IN THE CURRENT YEAR

During the current year the following standards were adopted:

- IFRS 10 — Consolidated financial statements;
- IRFS 11 — Joint arrangements;
- IFRS 12 — Disclosure of interests in other entities; and
- IFRS 13 — Fair value measurement

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 2012	49 892	27 239	18	207	478	11 954	89 788
Cost at 1 July 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 allocated to feed production costs	–	(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)
Additions	8 626	3 799	45	121	483	–	13 074
Sales	–	–	–	–	(79)	–	(79)
Depreciation	(3 053)	(4 916)	(54)	(102)	(108)	–	(8 232)
Depreciation allocated to feed production costs	–	(137)	–	–	–	–	(137)
Completed and transferred	(4 938)	–	–	–	–	4 938	–
Assets transferred to investment in MSL	(425)	–	–	–	–	–	(425)
Book value at 30 June 2014	73 813	36 498	214	309	811	6 062	117 707
Cost at 30 June 2014	86 465	70 092	345	781	1 237	6 062	164 982
Accumulated depreciation and impairment	(12 652)	(33 594)	(131)	(472)	(426)	–	(47 275)

During the current year R0.3 million (2013: Rnil) fully depreciated assets were scrapped. Assets under construction includes R4.5 million (2013: Rnil) which relates to a new feed production plant which is financed under an interim loan agreement. Once the construction is complete, this loan will be structured as an operating lease. Refer to note 14 for details of this lease.

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

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings include the following two properties which are owned by the Company, at cost:

Erf	Name	Size	Purchase date	Cost R'000
Erf 7994 (Hermanus)	Bergsig farm	2.4 ha	April 2002	1 377
Erf 11166 (Hermanus)	Sulamanzi farm	6.9 ha	July 2010	9 609
Total				10 986

Refer to note 17 for encumberances on property, plant and equipment.

The detailed fixed assets register is available for viewing at Abagold Ltd offices.

3. BIOLOGICAL ASSETS

The Group owns biological assets in the form of abalone livestock. At 30 June 2014 there were 495 tonnes (2013: 474 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.

(a) Reconciliation

	2014 R'000	2013 R'000
Opening carrying amount	139 799	99 124
Fair value adjustment for growth	83 320	94 441
Fair value adjustment due to changes in USD sales prices	(7 065)	(5 157)
Fair value adjustment due to exchange rate changes	10 530	25 076
Transfer to inventories	(74 870)	(73 685)
Closing carrying amount	151 714	139 799

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:

	2014 R'000	2013 R'000
At 30 June		
– Non-current biological assets	65 831	56 750
– Current portion of biological assets	85 883	83 049
	151 714	139 799

(i) Fair value hierarchy

The fair value measurements for abalone biological assets of R151.7 million (2013: R139.8 million) have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

3. BIOLOGICAL ASSETS (CONTINUED)

(ii) Level 3 fair values

The following valuation techniques and significant unobservable inputs are used in measuring fair value of abalone biological assets:

The fair value of biological assets are determined using the market comparison technique and is based on market prices of abalone of similar size and breed. Market prices are dominated in US Dollars.

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 relevant selling prices for each weight class, adjusted for drip and purge losses, and cost to sell.

(b) Measurement of fair values

Smaller abalone (less than 5 grams each) are valued at R2 each which is the market price for selling small abalone (known as "spats") between farms in South Africa. This value is extrapolated for valuing each weight class of abalone up to 30 grams as no active export market exists for these sizes. Abalone in the weight classes from 30 grams to 250 grams are valued using the live market US Dollar selling price per kilogram (active market price) for each weight class. As there is no active live market for larger abalone, and in order to be conservative, the value for abalone in the weight classes greater than 250 grams is capped at the value used for 250 gram abalone.

The drip (9%) and purge (5%) loss used in the valuation model is based on results from empirical tests and industry benchmarking.

At 30 June 2014, if the US Dollar 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 R17.6 million (2013: R16.2 million) higher. Conversely, if the US Dollar 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 US Dollar price sensitivity in profit in 2014 compared to 2013 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–US Dollar exchange rate. At 30 June 2014, if the Rand had weakened 10% against the US Dollar with all other variables held constant, the value of biological assets and profit before tax for the year would have been R15.2 million (2013: R14.3 million) higher. 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 2014 compared to 2013 is attributable to an increase in livestock tonnage on the farms.

(c) Risk management strategy related to aquacultural activities

The Group is exposed to the following risks related to aquacultural activities:

(i) Exchange rate risks

The Group is subject to changes in the exchange rate as abalone sales prices are denominated in US Dollar and biological assets are measured at fair value which is also based on the US Dollar market price. The Group's currency risk management is described in note 19.7.

3. BIOLOGICAL ASSETS (CONTINUED)

(ii) Mechanical risks

Reliance on plant and equipment to sustain a living environment for the abalone exposes the Group to certain risks. This risk is managed by allowing for redundancy of key equipment and generators. Critical assets are monitored with sophisticated alarm systems. Comprehensive livestock and asset insurance is in place.

(iii) Disease risks

The Group subscribes to highest biosecurity measures to which all local farms are subscribed to. Abagold is part of a Health Monitoring Programme which includes detailed surveillance of the condition of abalone populations. Short-term insurance cover, as part of an overall management strategy, is utilised to protect the Group against the replacement cost of re-stocking the farms in the event of mortalities caused by natural perils, forced de-stocking, disease or mechanical failure.

4. TRADEMARKS

	2014 R'000	2013 R'000
Reconciliation		
Opening carrying value	155	198
Cost	271	284
Accumulated amorisation and impairment	(116)	(86)
Additions	12	18
Impairments	–	(32)
Amortisation	(27)	(29)
Closing carrying value	140	155
Cost	283	270
Accumulated amorisation and impairment	(143)	(115)

5. GOODWILL

	2014 R'000	2013 R'000
Recoverable amount	7 979	7 979

Goodwill arose with the purchase of the operations of a subsidiary, Specialised Aquatic Feeds (Pty) Ltd (previously Abamax Abalone Farm (Pty) Ltd). For purposes of impairment testing goodwill 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 key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represents management's assessment of the future trends in the relevant industry and were based on historical data from both internal and external sources.

5. GOODWILL (CONTINUED)

	2014 %	2013 %
Discount rate	15.1	14.8
Terminal value growth rate	15.1	14.8
Budgeted free cash flow (average of the next five years)	9.0	6.0

The discount rate that was used is the yield on the R157 government bond and adjusted for specific risks relating to the Industry and the Group as a whole, with a possible debt leveraging of 10% (2013: 10%) at a market interest rate of 9% (2013: 9%).

The cash flow projections used included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual free cash flow growth rate, consistent with the assumption that a market participant would make.

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. EQUITY ACCOUNTED INVESTMENTS

6.1 INVESTMENT IN OMAN AQUACULTURE CO LLC

During the year Abagold entered into a co-operation agreement with Muscat Overseas Co LLC. This agreement sets out the terms for jointly developing an abalone farming business in Oman.

The initial phase includes a feasibility study and a pilot project. Both parties have incurred certain costs related to the initial phase, of which Abagold's contribution at year-end is R0.3 million. Should this phase be successful a commercial phase could follow.

	2014 R'000	2013 R'000
Investment in Oman Aquaculture Co LLC at cost	328	–

Subsequent to the reporting date a share purchase agreement was signed whereby Abagold obtained 50% interest in the newly formed joint venture company, Oman Aquaculture Co LLC. The joint venture is the vehicle to facilitate the possible commercial phase, should both parties agree to proceed. Besides Abagold's contribution to the costs in the initial phase thus far, Abagold will contribute a further R1.7 million as to acquire its 50% shareholding. Refer to note 34 where this amount is disclosed as a contingent liability. Abagold currently has no further capital commitments relating to this investee.

6.1 INVESTMENT IN OMAN AQUACULTURE CO LLC (CONTINUED)

The following table summarises the financial information of Oman Aquaculture Co LLC as included in its own financial statements. Although the company's reporting currency is Omani Rial, the amount has been converted to Rands using the closing exchange rate at 30 June.

	2014 R'000	2013 R'000
Current assets (consisting of cash and cash equivalents)	4 131	–

6.2 INVESTMENT IN MEAN SEA LEVEL (PTY) LTD

During the current year Abagold obtained a 42% interest in Mean Sea Level (Pty) Ltd (MSL). This investee serves to pursue any renewable energy endeavours of the Group and its first two projects involves the construction of an energy recovery turbine to generate electricity from Abagold's return-water to the ocean, and a pilot wave energy project.

Investment in Mean Sea Level (Pty) Ltd at cost	425	–

The following table summarises the financial information of MSL as included in its own financial statements:

	2014 R'000	2013 R'000
Non-current assets	5 711	–
Current assets	697	–
Current liabilities	(357)	–
Net assets (100%)	6 051	–
Group's share of net assets (42%)	**2 541**	**–**
Income	87	–
Expenditure	(121)	–
Net loss (100%)	(34)	
Group's share of net loss (42%)	**(14)**	**–**

Subsequent to the reporting date Abagold entered into a Power Purchase agreement to purchase all the electricity generated by their Energy Recovery Turbine (ERT) project at a fixed price of R0.90 cents per kilowat for the next 20 years. Assuming 8% annual increases in Eskom's electricity tariffs, this contract has a positive net present value to Abagold of R1.5 million.

Subsequent to the reporting date MSL obtained a R4.6 million loan from the Industrial Developent Corporation. One of the conditions to the loan is that Abagold guarantees the full R4.6 million loan in the event of a default. In exchange, in such event, Abagold takes ownership of the ERT, against meeting such a guarantee obligation. In exchange for such guarantee and paying 90c/kWh for energy from the ERT, Abagold has accepted 12 additional ordinary shares in MSL, increasing its total holding to 43%.

No dividends were received by the Group.

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7. INVENTORIES

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

	2014 R'000	2013 R'000
Reconciliation		
Opening carrying amount	32 493	12 003
Transfer from biological assets	74 870	73 685
Purchases	8 604	11 269
Sales of abalone	(91 667)	(64 464)
Closing carrying amount	24 300	32 493

The carrying amount includes work in progress of R1.1 million (2013: R4.6 million) which represents harvested abalone being processed but not yet in a final product ready for sale at the 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 US Dollar market prices of abalone and consequently also on the Rand-US Dollar exchange rate.

At 30 June 2014, if the US Dollar price of live, canned and dried abalone increased by 10% with all other variables held constant, the value of inventory would have been R2.4 million (2013: R3.7 million) higher. Conversely, if the US Dollar price decreased by 10%, the value of inventory would be less with the same amounts. The lower US Dollar price sensitivity in 2014 compared to 2013 is attributable to a decrease in inventory on hand.

The Group is also exposed to the risk of changes in the Rand-US Dollar exchange rate. At 30 June 2014, if the Rand had weakened 10% against the US Dollar with all other variables held constant, the value of inventory would have been R2.5 million (2013: R3.5 million) higher. Conversely, if the Rand had strengthened 10%, the value of inventory would have been less with the same amounts. The lower exchange rate sensitivity in 2014 compared to 2013 is attributable to a decrease in inventory on hand.

8. TRADE AND OTHER RECEIVABLES

	2014 R'000	2013 R'000
Trade receivables	2 449	3 520
Prepaid expenses	49	49
Loans receivable	167	169
Value added tax	2 002	672
	4 667	4 410

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

South African Rand	1 664	1 374
US Dollar	3 003	3 036
	4 667	4 410

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2014 (2013: Rnil). 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 2014 no portion of trade receivables (2013: no portion) was past due or impaired.

The ageing analysis of trade receivables is as follows:

	2014 R'000	2013 R'000
Up to 1 month	2 321	1 613
1–2 months	49	1 907
More than 2 months	79	–
	2 449	3 520

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

9. DERIVATIVE FINANCIAL INSTRUMENTS

	2014 R'000	2013 R'000
The derivative financial instruments at 30 June comprise of:		
– Forward foreign exchange contracts – assets	550	59
– Forward foreign exchange contracts – liabilities	(670)	(2 283)
	(120)	(2 224)
Reconciliation of derivative financial instruments:		
Opening balance	(2 224)	751
– Contracts entered into	(120)	(2 224)
– Contracts expired	2 224	(751)
Closing balance	(120)	(2 224)

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 USD 2.3 million with forward rates ranging from R10.45/USD to R11.47/USD (2013: USD3.6 million with forward rates ranging from R9.03/USD to R10.55/USD).

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

10. SHARE CAPITAL

	2014 R'000	2013 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 (2013: 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 R2.9 million relating to the 2013 financial year and an interim dividend of R3.0 million for the 2014 financial year. A final dividend for the 2014 financial year of R6.7 million was declared by the Board on 19 September 2014.

Unissued

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

11. INCENTIVE PLAN

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 dates 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 R1.8 million (2013: R2.1 million) 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	
	2014 R'000	2013 R'000
Movement in rights to share-based payments (Average award value is in brackets):		
Balance at the beginning of the year	1 579	1 615
Issued on 1 July 2012 (R1.51/share)	–	603
Issued on 1 July 2013 (R1.42/share)	350	–
Exercised during the year	(639)	(639)
Balance at the end of the year	1 290	1 579

11. INCENTIVE PLAN (CONTINUED)

Rights to share-based payments on 30 June are unconditional on the following dates:

	2014 R'000	2013 R'000
1 March 2014 (R3.00/share)	–	639
1 March 2015 (R3.00/share)	337	337
1 July 2015 (R1.51/share)	603	603
1 July 2016 (R1.42/share)	350	–
	1 290	1 579

The "award values" indicated above bear no resemblance to any market value of Abagold's physical shares and is 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 24 for the expense recognised in the statement of comprehensive income as employee benefits expense.

12. TAXATION

12.1 INCOME TAX EXPENSE

	2014 R'000	2013 R'000
Deferred tax	8 971	13 676
	8 971	13 676

12.2 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:

	2014	2013
Deferred tax liability		
– Property, plant and equipment	20 622	14 918
– Trademarks	39	43
– Prepaid expenses	13	14
– Biological asset	42 480	39 144
Deferred tax asset		
– Accumulated tax loss	(3 841)	(3 841)
– Provision for leave pay	(281)	(251)
– Operating lease liabiltiy	(180)	(72)
– Long-term share incentive liability	(505)	(579)
Net deferred tax liability	58 347	49 376

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12.2 DEFERRED INCOME TAX (CONTINUED)

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 2012	10 958	27 755	(3 015)	2	35 700
Charged/(credited) to profit and loss	3 960	11 389	(826)	(847)	13 676
At 30 June 2013	14 918	39 144	(3 841)	(845)	49 376
Charged/(credited) to profit and loss	5 703	3 336	–	(68)	8 971
At 30 June 2014	20 621	42 480	(3 841)	(913)	58 347

The deferred income tax assets and liabilities were calculated on all temporary differences under the liability method using an effective tax rate of 28% (2013: 28%).

12.3 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% (2013: 28%) as follows:

	2014 %	2013 %
South African normal tax rate	28.00	28.00
Adjusted for:		
– Changes to prior year assessments	0.00	(1.59)
– Non deductible expenses	0.37	(0.02)
– Other permanent differences	(1.83)	0.01
Actual effective tax rate	26.54	26.40

12.4 TAX LOSSES

	2014 R'000	2013 R'000
Estimated tax losses and capital development costs available for set-off against future taxable income	39 333	51 018

13. DEFERRED INCOME GRANT

	2014 R'000	2013 R'000
Current portion	348	–
Long-term portion	4 492	–
	4 840	–

During the year R5.6 million was received as a government grant under the Aquaculture Development and Enhancement Programme (ADEP). The grant relates to the first claim of investment costs on the Sulamanzi expansion relating to the period 1 September 2012 to 30 June 2013.

The grant is recognised in the statement of comprehensive income over the average useful lives of the related assets, which is 17 years.

14. LONG-TERM BORROWINGS

	2014 R'000	2013 R'000
Long-term portion	4 225	–
	4 225	–

The long-term borrowings from ABSA consist of a term loan to finance the construction of a new feed production plant. At year-end the construction was still in process. It is expected that the plant will become operational in the next financial year. The plant will be leased to Abagold's wholly-owned subsidiary, Specialised Aquatic Feeds (Pty) Ltd, for the production of formulated feeds.

The loan facility is R11.9 million (excluding VAT) and once the plant is complete, will be repayable in monthly instalments over a term of 10 years at an interest rate of 1% below the prime interest rate.

15. TRADE AND OTHER PAYABLES

	2014 R'000	2013 R'000
Trade payables	9 019	10 605
Accrual for leave	1 005	898
Cash-settled share-based payment liability	1 804	2 068
Accrual for short-term incentive	–	948
Debtors with credit balances	524	157
Other personnel accruals	218	1
Operating lease liability	644	329
Other payables	1 331	378
	14 545	15 384

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 posistion as follows:

Non-current trade and other payables	2 137	1 038
Current portion of trade and other payables	12 408	14 346
	14 545	15 384

16. CASH AND CASH EQUIVALENTS

	2014 R'000	2013 R'000
Net bank overdraft	(1 685)	(26 775)
Cash on hand	1	2
Balance on credit cards	(37)	(26)
	(1 721)	(26 799)

16. CASH AND CASH EQUIVALENTS (CONTINUED)

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.

Total approved banking facility includes a general banking facility of R25.0 million (2013: R40.0 million), an Agri-loan of R35 million (2013: nil) and a revolving loan for the feed plant construction of R11.9 million (2013: nil). The facility also includes limits for entering into forward exchange contracts and credit cards. The next facility review date is 30 June 2015.

17. SECURITIES

The following items are secured to the Group's bankers, 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.

A covering mortgage bond is in the process of being registered for R35 million over Erf 11166 which will serve as security for an envisaged R35 million Agri-loan which will be utilised in future financial years.

18. 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 are paid on a fixed scale. Substantially all the Group's full-time employees are members of this plan.

An amount of R1.7 million (2013: R1.4 million) was recognised during the year as an expense in relation to the provident fund's contributions.

19. FINANCIAL INSTRUMENTS

19.1 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.

19.1 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 2014:

	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	–	550	–	550
Total assets	–	550	–	550
Liabilities				
Financial liabilities at fair value through profit or loss				
– Foreign exchange contract liabilities	–	670	–	670
Total liabilities	–	670	–	670

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 fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet 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.

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19.1 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 2013 and 2014.

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.

19.2 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.

19.3 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	✔			✔
Financial liabilities:				
Foreign exchange contract liability		✔		✔
Trade and other payables		✔		
Borrowings		✔	✔	
Bank overdraft		✔	✔	

19.4 CREDIT RISK MANAGEMENT

Credit risk arises from financial instruments with banks and trade and other receivables (refer to note 8 excluding prepayments and value added tax) 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.

19.5 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.

19.5 LIQUIDITY RISK MANAGEMENT (CONTINUED)

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 2014:				
Trade and other payables	11 185	–	1 804	12 989
Derivative financial instruments	670	–	–	670
Borrowings	–	–	4 225	4 225
Bank overdraft	1 721	–	–	1 721
	13 576	–	6 030	19 605
At 30 June 2013:				
Trade and other payables	10 974	93	945	12 012
Derivative financial instruments	2 283	–	–	2 283
	13 257	93	945	14 295

19.6 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 R60 000 less (2013: R268 300), arising as a result of the overdraft position at the end of 2014. Conversely, if interest rates were 1 percentage point lower, it would have an opposite effect on profit with the same amounts. The sensitivity for 2014 and 2013 differ due to the reduction in overdraft at year-end.

19.7 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 US Dollars. This risk is relevant to the following:

19.7.1 Foreign trade receivables

At 30 June 2014, if the Rand had weakened 10% against the US Dollar with all other variables held constant, profit before income tax for the year would have been R0.2 million (2013: R0.3 million) 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 decrease in these trade receivables at year-end.

19.7.2 Biological assets and inventory

Please refer to notes 3 and 7 respectively.

19.7.3 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 US Dollar receipts from foreign customers in the forthcoming financial year.

19.7 CURRENCY RISK MANAGEMENT

19.7.3 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 2014, if the Rand had weakened 10% against the US Dollar with all other variables held constant, profit before income tax for the year would have been R2.5 million (2013: R3.6 million) less. Conversely, if the Rand strengthened 10%, profit would be higher with the same amounts. The decrease foreign exchange rate sensitivity in profit in 2014 compared to 2013 is attributable to the decrease in open foreign exchange contracts at year-end.

Refer to note 9 on derivative financial instruments for details of the forward foreign exchange contracts.

19.8 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 2014 the return was 11.1% (2013: 18.8%). In comparison, the weighted average interest expense on interest-bearing borrowings was 8.5% (2013: 7.3%).

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 0.38 (2013: 0.46).

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.

20. REVENUE

	2014 R'000	2013 R'000
Revenue comprises of the following sales of abalone products and related services:		
– Canned abalone	69 389	50 430
– Pouched abalone	1 240	-
– Dried abalone	26 097	18 411
– Live abalone	18 461	7
– Live baby abalone (spats)	1 549	2 147
– Live packing of abalone	1 106	–
– Processing of abalone	979	–
	118 821	70 995

21. OTHER INCOME

	2014 R'000	2013 R'000
The following items are included in Other Income:		
– Processing of abalone	–	745
– Shared infrastructure	459	408
– Insurance claim and rebates received	293	168
– Tourism income	27	32
– ADEP grant	792	–
– Other	1 284	336
	2 855	1 689

22. FAIR VALUE GAINS AND LOSSES IN FINANCIAL INSTRUMENTS

The following items are included in Fair Value Gains and Losses in Financial Instruments:		
– Realised foreign exchange gains	1 985	2 081
– Realised foreign exchange losses	(1 241)	(2 381)
– Unrealised foreign exchange gains	550	118
– Unrealised foreign exchange losses	(682)	(2 283)
Net fair value gains/(losses) on financial instruments	612	(2 465)

23. PRODUCTION COSTS

Production costs comprise the following:		
– Utilities (electricity and water)	13 950	12 908
– Feed	8 897	7 349
– Consumables	939	1 005
– Chemicals	498	514
	24 284	21 776

24. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses comprise the following items:		
– Wages and salaries	25 056	19 713
– Directors' remuneration	2 898	2 254
– Adjustment to share-based payment accrual	(264)	530
– Adjustment to accrual for short term incentive	(948)	948
– Provident fund contributions	1 663	1 443
– Protective clothing	633	166
Total employee benefit expense	29 038	25 054

24. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

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

2014 (R'000)	Professional fees	Basic salaries	Company contributions	Performance related	Fees for meetings	Total
Executive director:						
CM du Plessis	–	1 358	69	549	–	1 976
CH van Dyk*	–	282	4	43	–	329
Non-executive directors:						
HR van der Merwe	–	–	–	–	109	109
Dr P du P Hugo	673	–	–	–	73	746
Dr P du P Kruger	–	–	–	–	80	80
GM Negota	–	–	–	–	73	73
SG Sokhela	–	–	–	–	80	80
YJ Visser	–	–	–	–	80	80
JW Wilken	–	–	–	–	98	98
Total	**673**	**1 640**	**73**	**592**	**593**	**3 571**

* appointed on 24 February 2014

2013 (R'000)	Professional fees	Basic salaries	Company contributions	Performance related	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**

Please refer to note 11 for details relating to share-based payments made to any executive directors.

25. PROFIT FROM OPERATIONS

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

	2014 R'000	2013 R'000
Auditor's remuneration for audit services	202	156
Amortisation and write-offs of trademarks	27	61
Depreciation	8 232	6 890
Maintenance	3 049	3 026
Operating lease charges	856	233
Professional fees	2 608	2 747
Legal fees	44	179
Net loss on disposal of property, plant and equipment	31	–

26. FINANCE COSTS

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

Bank overdraft	1 885	933
Total finance costs	1 885	933

27. INVESTMENT INCOME

	2014 R'000	2013 R'000
Interest received on cash and short-term funds	–	13

28. EARNINGS PER SHARE

28.1 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.

	2014	2013
Profit attributable to ordinary shareholders (R'000)	24 836	38 164
Weighted number of ordinary shares ('000)	133 333	133 333
Basic earnings per share (cents)	18.63	28.62

There are no potential dilutive instruments as at 30 June 2014 (2013: none).

Notes to the consolidated financial statements

for the year ended 30 June 2014

28.2 HEADLINE

	2014	2013
Profit attributable to ordinary shareholders (R'000)	24 836	38 164
Adjusted for:		
Net loss on sale of property, plant and equipment (R'000)	23	–
Gross amount	31	–
Taxation	(8)	–
Net insurance claim and rebates received (R'000)	(211)	(168)
Gross amount	(293)	(233)
Taxation	82	65
Headline earnings (R'000)	24 648	37 996
Headline earnings per share (cents)	18.49	28.50

29. NOTES TO THE STATEMENT OF CASH FLOW

29.1 CASH RECEIVED FROM CLIENTS

	2014 R'000	2013 R'000
Revenue	118 821	70 995
Other income	2 855	1 689
Plus: Receivables at the beginning of the year	4 410	5 362
Less: Receivables at the end of the year	(4 667)	(4 410)
	121 419	73 636

29.2 CASH GENERATED FROM OPERATIONS

	2014 R'000	2013 R'000
Profit before tax	33 807	51 840
Adjustments for non-cash items	6 323	10 050
– Amortisation and write-offs of trademarks	27	61
– Depreciation	8 232	6 890
– Depreciation allocated to feed production costs	137	124
– Straightlining of operating leases	–	(59)
– Loss on sale of property, plant and equipment	31	–
– Unrealised gain on revaluation of foreign exchange contracts	(550)	(59)
– Unrealised loss on revaluation of foreign exchange contracts	670	2 283
– Reversal of prior year gain on foreign exchange contracts	59	795
– Reversal of other prior year foreign exchange rate gains	–	129
– Reversal of prior year loss on foreign exchange contracts	(2 283)	(114)
Separately disclosed items in statement of cash flow	1 885	921
– Finance costs	1 885	933
– Investment income	–	(13)
	42 015	62 811
Changes in working capital:	(4 818)	(54 386)
– Increase in inventory and biological assets	(3 722)	(61 165)
– (Increase)/decrease in receivables	(257)	952
– (Decrease)/increase in trade payables	(839)	5 827
Cash generated from operations	37 197	8 424

Notes to the consolidated financial statements

for the year ended 30 June 2014

30. RELATED PARTIES

30.1 IDENTITY OF RELATED PARTIES

- Abagold Ltd owns 100% of the shares in a subsidiary, Specialised Aquatic Feeds (Pty) Ltd (previously Abamax Abalone Farm (Pty) Ltd). The subsidiary did not trade during 2014.
- Mr CM du Plessis is the only director of Specialised Aquatic Feeds (Pty) Ltd and a director of Mean Sea Level (Pty) Ltd. He is also a director of Abagold Ltd.
- Dr P du P Hugo and Dr P du P Kruger are directors of both Mean Sea Level (Pty) Ltd and of Abagold Ltd.
- The executive management team is considered to be key management. Executive management comprises of six (2013: six) employees which includes two executive directors, Mr CM du Plessis and Mr CH van Dyk.
- Mr GM Negota and Mr SG Sokhela who are are directors of Abagold, are also directors of Afropulse 496 (Pty) Ltd which has a 15% shareholding in Abagold.
- Mr GM Negota, Mr SG Sokhela and Mr CM du Plessis who are directors of Abagold, are also trustees on the Abagold Development Trust which has a 67% shareholding in Afropulse 496 (Pty) Ltd.

30.2 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

30.2.1 Transactions with subsidiary

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

	2014 R'000	2013 R'000
Rent charged by Specialised Aquatic Feeds (Pty) Ltd	27	111

At 30 June 2014 an amount of R28 700 was receivable from (2013: R26 100 receivable from) Specialised Aquatic Feeds (Pty) Ltd. This balance is non-interest bearing and does not have fixed repayment terms.

30.2.2 Transactions with joint ventures

Refer to note 6 for transactions with joint ventures.

30.2.3 Transactions with key management personnel

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

	2014 R'000	2013 R'000
Basic salaries	4 976	4 138
Share-based payments	320	-
Company contributions	154	137
Performance related	823	1 058
	6 273	5 333

30.2.4 Material related party balances

Loans receivable include the following amounts to related parties:

	2014 R'000	2013 R'000
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.

30.2.5 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	65	–	65
CH van Dyk	25	–	25
Dr P du P Hugo	–	19 254	19 254
Dr P du P Kruger	–	15 000	15 000
GM Negota	100	15 067	15 167
YJ Visser	–	7 031	7 031

31. COMMITMENTS

31.1 CAPITAL COMMITMENTS

	2014 R'000	2013 R'000
Authorised by the directors		
– Contracted for	7 765	229
– Not contracted for	42 992	31 508

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

31.2 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	569	351
– after one year, but not longer than five years	2 771	673
– after five years	20 254	–
	23 594	1 024

During the current year the lease was renewed for a further term of 9 years and 11 months and the agreement includes a option to renew the lease for a further 9 years and 11 months. The lease payments above include the optional renewal term.

Notes to the consolidated financial statements

for the year ended 30 June 2014

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

Specialised Aquatic Feeds (Pty) Ltd (previously 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, Specialised Aquatic Feeds (Pty) Ltd, up to September 2013, being the renting of farming land and immaterial effect in comparison to those of Abagold, no separate Company financial statements are presented. From 1 July 2014 Specialised Aquatic Feeds (Pty) Ltd will commence its business of producing and selling formulated aquatic feeds.

The financial statements of the Company, Abagold Ltd, are similar in all material aspects to those of the Group.

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

33. EVENTS AFTER THE REPORTING DATE

Please refer to note 6 regarding matters that occurred between the statement of financial position date and the date of the approval of the financial statements which are material to the financial affairs of the Group.

34. CONTINGENT LIABILITY

Please refer to note 6 regarding Abagold's undertaking to pay R1.7 million as its contribution to the inventment in Oman Aquaculture Co LLC.

Shareholder and administrative information

Analysis of shareholders at 30 June 2014

	Number of shareholders		% Holding	
Size of holdings	2014	2013	2014	2013
Less than 1%	52	49	9.1%	9.0%
More than 1% but less than 5%	7	7	20.8%	20.8%
More than 5% but less than 10%	3	3	23.0%	23.1%
More than 10% but less than 20%	4	4	47.1%	47.1%
	66	63	100%	100%

The following shareholders hold in excess of 5% of the issued share capital:

Entity	Holding
Afropulse 496 (Pty) Ltd	15.0%
Bonne Esperance Trust	11.6%
Wenakker (Pty) Ltd	10.5%
Sea Yields Investments (Pty) Ltd	10.0%
KGMF Trust	9.7%
Johan van Dyk Family Trust	8.0%
Mike Family Trust	5.4%

Corporate information

Abagold Limited
Reg no: 1995/070041/06

Company secretary
J Hugo

Registered office
Cnr Church and Stil Street, Hermanus, 7200
PO Box 1291, Hermanus, 7200
Tel +27 (0) 28 313 0253
Fax +27 (0) 28 312 2194
Email info@abagold.co.za

Auditors
KPMG Inc.
Cape Town

Bankers
ABSA Bank Limited

Transfer secretary
Link Market Services
11 Diagonal Street
Johannesburg, 2001
Tel +27 (0) 11 630 0823
Fax +27 (0) 11 834 4398

Notice of annual general meeting of shareholders

ABAGOLD LIMITED
(Registration number: 1995/070041/06)

Notice is hereby given that the 2014 annual general meeting ("the meeting") of the shareholders of Abagold Limited ("the Company") will be held at 09h30 on Saturday, 13 December 2014 at The Class Room, Hemel en Aarde Village, Hermanus.

The following resolutions by shareholders, in which the Companies Act, Act 71 of 2008 is referred to as "the Act", will be proposed and considered at the meeting and, if approved, be adopted with or without amendment.

Special resolution 1: Non-executive directors' remuneration
Resolved that the directors' annual remuneration, in their capacity only as directors of the Company, from 1 January 2015 until 31 December 2015 be paid in accordance with the following:

For services as:	
Basic remuneration as director, excluding chairman of the board	R80 000
Basic remuneration as chairman of the board	R240 000
Chairman of a subcommittee	R20 000
Member of a subcommittee	R8 000

Reason and effect
The reason for and the effect of special resolution number 1 is to grant the Company authority to pay fees to its non-executive directors for their services as directors, in line with the recommendations of King III and the Act.

Special resolution 2: Financial assistance to related or inter-related Company
Resolved that the directors, in terms of and subject to the provisions of Section 45 of the Act, be authorised to cause the Company to provide any financial assistance to any company or corporation which is related or inter-related to the Company.

Reason and effect
The reason for and effect of this special resolution number 2 is to grant the directors of the Company the authority to cause the Company to provide financial assistance, in the normal course of business, to any company or corporation which is related or inter-related to the Company.

Ordinary resolution 1: Adoption of the annual financial statements
Resolved to adopt the consolidated annual financial statements for the year ended 30 June 2014.

Ordinary resolution 2: Re-election of the independent auditor and noting of designated auditor
Resolved that, as recommended by the audit and risk committee, KPMG Inc. be re-elected as independent registered auditor of the Group and that shareholders note the appointment of Mr Pierre Conradie of the said firm as the designated registered auditor to hold office for the ensuing year.

Ordinary resolution 3: Re-election of directors retiring by rotation
Resolved that the following four directors, who retire by rotation and, being eligible and having made themselves available for re-election as directors of the Company, are re-elected, each by way of a separate vote, as directors:

Ordinary resolution 3: Re-election of directors retiring by rotation (continued)

3.1 P du P Kruger
3.2 HR van der Merwe
3.3 JW Wilken
3.4 SG Sokhela

The directors unanimously recommend that the appointment in terms of resolutions 3.1 to 3.4 be approved by the shareholders of the Company.

Ordinary resolution 4: Re-election of retiring director
Resolved to re-elect executive director, Mr CH van Dyk, in respect of his recent appointment by the board of directors on 24 February 2014, whose appointment comes to an end at this meeting in terms of the Company's MOI, but being eligible, offers himself for re-election.

The directors unanimously recommend that the appointment in terms of resolution 4 be approved by the shareholders of the Company.

Ordinary resolution 5: Election of members of the audit and risk committee
Resolved that, subject to the passing of ordinary resolution no. 3.3 and 3.4, the following independent non-executive directors be elected, each by way of a separate vote, as members of the audit and risk committee of the Company for the period from 14 December 2014 until the conclusion of the next annual general meeting:

5.1 SG Sokhela
5.2 YJ Visser
5.3 JW Wilken

Voting and proxies
An ordinary shareholder is entitled to appoint a proxy to attend, speak and vote in his/her stead at the annual general meeting. A proxy need not be a shareholder of the Company. For the convenience of registered ordinary shareholders of the Company, a proxy form is enclosed herewith.

Any person present and entitled to vote at the meeting, as member or as proxy or as a representative of a body corporate, shall on a show of hands have on one vote irrespective of the number of shares held or represented. On a poll, he/she/it will have a number of votes equal to the number of ordinary shares held or represented.

Any ordinary resolution is passed by a majority of votes present and voting at the meeting. A special resolution requires 75% of votes to be passed.

Forms of proxy must be lodged with the company secretary (using the return options set out on the back of the proxy form), for ease of administration, by no later than 16h00 on Thursday, 11 December 2014. A shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and, to the exclusion of the proxy, vote in person at the meeting.

BY ORDER OF THE BOARD

Hugo

J Hugo
Company secretary
19 September 2014

ABAGOLD

ABAGOLD LIMITED
(Registration number: 1995/070041/06)

PROXY FORM

Proxy form for use at the annual general meeting ("the meeting") of the Company to be held on 13 December 2014 at 09h30 by ordinary shareholders who are unable to, or who do not wish to, attend the meeting in person, but wish to be represented thereat.

I, the undersigned ____

Please print full names

of address: ____

being the registered holder of ______________________________ ordinary shares
in the capital of the Company do hereby appoint

____ or failing him/her

____ or failing him/her

the Chairman of the meeting as my proxy to act for me and on my behalf at the abovementioned meeting for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed for adoption thereat, and at any adjournment of that meeting, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my name, in accordance with the following instructions:

No.	Business	In favour of	Against	Abstain
	Special resolutions			
1	Approval of directors' remuneration until the next annual general meeting			
2	To enable the provision of financial assistance to related or inter-related entities			
	Ordinary resolutions			
1	Adoption of consolidated annual financial statements for the year ended 30 June 2014			
2	Re-election of independent auditor			
3	Re-election of director retiring by rotation			
	3.1 Dr P du P Hugo			
	3.2 HR van der Merwe			
	3.3 JW Wilken			
	3.4 SG Sokhela			
4	Re-election of Mr CH van Dyk			
5	Election of members of the audit and risk committee:			
	5.1 SG Sokhela			
	5.2 YJ Visser			
	5.3 JW Wilken			

(Indicate instruction to Proxy by way of a cross in the appropriate space provided above)

Unless otherwise instructed, my Proxy may vote as he/she thinks fit.

Signed at: ______________________ this __________ day of ______________ 2014

Signature: ______________________________

NOTES

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend, speak and on a poll vote in his/her stead, and such proxy need not also be a member of the Company.
2. Should a proxy not be specified, the Chairman of the meeting will act as the proxy.
3. An ordinary shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by him/her in the appropriate space provided above.
4. If any ordinary shareholder does not indicate on this instrument that his proxy is to vote in favour of or against any resolution or to abstain from voting, or give contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
5. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this proxy form, unless previously recorded by the Company or waived by the Chairman of the meeting.
6. This proxy form should be completed and returned so as to reach the registered office of the Company, for ease of administration, by no later than 16h00 on Thursday, 11 December 2014 and may be returned in any manner set out below.
7. The completion and lodging of this Proxy form does not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any appointed proxy.
8. Any person present and entitled to vote at the meeting, as a member or as a proxy or as a representative of a body corporate, shall on a show of hands have only one vote irrespective of the number of shares held or represented. On a poll, he/she/it will have a number of votes equal to the number of ordinary shares held or represented.
9. An ordinary resolution is passed by a majority of votes present and voting at the meeting.
10. This form of proxy expires after the conclusion of the meeting, but may still be used at any adjournment of the meeting.
11. NEW DIRECTORS: The proxy may vote with regard to the appointment of new directors as the proxy deems fit. Persons nominated for appointment as directors must have consented in writing to their nomination and must not be disqualified by virtue of the provisions of paragraph 5.1.5 of the Company's Memorandum of Incorporation.

Return options:

EITHER Deliver to:
The Company Secretary
New Harbour
Hermanus
7200

OR Post to:
The Company Secretary
PO Box 1291
Hermanus
7200

OR Fax to:
The Company Secretary
028 312 2194

To be received, preferably, by no later than 16h00 on Thursday, 11 December 2014

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Abagold Limited
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