

尊重

ABAGOLD

INTERIM REPORT
(UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014





INTERIM REPORT (UNAUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

ABAGOLD LIMITED

DIRECTORATE

Non-executive

HR van der Merwe (Chairman of the Board)	*
P du P Hugo	
P du P Kruger	*
GM Negota	
SG Sokhela (Resigned 23 February 2015)	❖
YJ Visser	❖
JW Wilken	❖ *
WB Keast (Appointed 23 February 2015)	

Executive

CM du Plessis (Managing Director)
CH van Dyk (Operations Director)

- ❖ = Member of audit and risk committee
* = Member of remuneration and nomination committee

Company Secretary

J Hugo

ADMINISTRATION

Registered office

Abagold Limited
Cnr of Church and Stil Streets
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

Bankers

The ABSA Group

Website and share trading

www.abagold.com

Company registration number

1995/070041/06

Review of the interim results

for the six months ended 31 December 2014

FINANCIAL OVERVIEW

Turnover for the six months to 31 December 2014 came to R61.5 million, an increase of 6% over that for the comparative six months in the previous year. This increase was supported by a significant sales volume increase and the weaker Rand exchange rate but countered somewhat by sales mix changes and downward pressure on selling prices. In constant currency terms, turnover decreased by 9% to R53.0 million.

The net result is a 13% decrease in net profit before tax to R20.8 million.

The table below sets out some key comparisons with prior periods:

	UNAUDITED 31 December			AUDITED 30 June
	2014 6 months	2013 6 months	% change	2014 12 months
Turnover (Rm)	61.5	58.1	6%	118.8
Turnover (USDm)	5.2	5.7	-9%	11.3
Average spot exchange rate (Rand:USD)	11.25	10.20	10%	10.24
Live equivalent tonnes sold	178	158	13%	335
Tonnes growth recorded	186	177	5%	305
Average USD sales price/kg	29.2	36.2	-19%	33.6
Total expenses	45.5	41.0	11%	83.6
Net profit before tax (Rm)	20.8	24.0	-13%	33.8
Cash (utilised in)/generated from operations (Rm)	-8.3	8.8	-195%	37.2
Sales price per kg (Rand)	329	369	-11%	355
Cost per kg growth recorded	245	232	6%	271

The increase in tonnage sold was partly achieved by buying in, processing and selling R9.7 million of live abalone from third party producers to satisfy the market demand for smaller and cheaper abalone that Abagold could not supply from its own production pipeline.

A net fair value gain of R1.3 million is recorded for the period and consists of three components. The weakening of the exchange rate from R10.63/USD at 30 June 2014 to R11.57/USD at 31 December accounted for an unrealised fair value gain of R12.3 million in biological assets. An unrealised loss of R4.9 million was recorded on the revaluation of biological assets, in line with the downward revision of live USD prices. The net reduction (total growth less biomass harvested) in biological asset tonnages reduced the fair value gain by R6.1 million.

Expenses for the six months under review increased by 11% year-on-year, ahead of inflation at 5.3% year-on-year. The main drivers are higher export costs due to increased airfreight charges concomitant with larger volumes of live export sales, electricity rate increases, increased headcount due to the expansion of farming activities and an accounting charge relating to the straight lining of lease expenses. It is reassuring to note though that cost per kilogram of growth increased in line with inflation at only 6%.

Cash Utilised in Operations amounted to R8.3 million compared to Cash Generated from Operations of R8.8 million in the comparative period. Weak demand for big abalone led to a R20 million increase in finished goods inventory which negatively affects cash flow. A further R9.7 million was spent on buying-in, processing and profitably exporting third party abalone to maintain our market share for smaller sizes where our own farms could not supply the volumes demanded.

Spending on capital items accelerated to R26.8 million. The development of further Sulamanzi production units and related infrastructure to the amount of R10.7 million continued throughout the period, as well as replacement capital spending of R4.6 million. A long-term loan of R35 million was obtained and utilised in order to match our funding with the long-term investment cycle associated with abalone production infrastructure. We also invested in feed manufacturing capacity to the value of R11.5 million, funded with ring-fenced asset-backed finance.

Adequate bank financing in the form of an overdraft facility is available to fund operations for the foreseeable future (in addition to the long-term funding detailed in the preceding paragraph).

Review of the interim results (continued)

for the six months ended 31 December 2014

OPERATIONAL OVERVIEW

Hatchery and grow-out farms: Total growth recorded increased by 5% from 177 tonnes in the comparative period last year to 186 tonnes in this reporting period. We were able to sell excess spat to the value of R1.4 million thanks to surplus production in the hatchery.

Sales and marketing: We experienced very tough trading conditions during the six months under review. Demand for larger, more expensive abalone weakened significantly in favour of smaller, cheaper abalone products, mainly due to Chinese austerity measures and weaker economic growth and outlook in our markets.

Feeds: Development of our own and related aquaculture feeds continues unabated. We recorded R1.0 million of third party feed sales in the reporting period and look to supply various niche markets once our new feed production facility is commissioned in Q1 2015.

PROSPECTS

Seasonal sales of abalone products commenced almost a month later than the previous year, due to Chinese New Year being very late in February 2015 compared to end-January in 2014. This change, together with the return of some demand for larger and dried abalone products, should translate into stronger sales and reduced inventory levels in the remaining months of the 2015 financial year. The severe price pressures on all categories of abalone products is not expected to disappear, nor the demand for smaller, more economical sizes of abalone.

We expect a strong operational performance for the full financial year. The negative effects of lower USD sales prices are to some extent negated by a weaker Rand. We continue to lock in the benefits of the weaker Rand by entering into forward exchange contracts when appropriate. We also expect continued revenue and earnings growth from contract processing and packing as well as increased third party feed sales.

DECLARATION OF DIVIDEND (NUMBER 11)

Notice is hereby given that the Board has declared an interim dividend of 2.25 cent per share (interim dividend 2014: 2.25 cent per share), payable on 18 March 2015 to all shareholders registered as at close of business on 9 March 2015. This dividend is in line with the Company's dividend policy of returning 60% of cash profit to shareholders, should debt levels, future cash flow requirements and other relevant factors allow.

Dividends will be paid by direct electronic transfer where shareholder bank details have been supplied. All other dividends will be paid via cheques posted to registered addresses.

Note that:

- As no secondary tax on companies credits are available, dividend withholding tax at the rate of 15% will be applicable to shareholders who are not exempt, which will result in a net dividend of 1.91 cents per share to such shareholders;
- Abagold's tax reference number is 9008/001/76/1; and
- Abagold's issued share capital at the declaration date is R6 667 (133 333 334 ordinary shares with no par value).

MANAGING DIRECTOR

The Board is pleased to announce the appointment of Tim Hedges as managing director from 1 April 2015 in place of Christo du Plessis who leaves Abagold on 31 March 2015 after twelve years.

Signed on behalf of the Board of Directors at Hermanus on 23 February 2015.



HR van der Merwe
Chairman



CM du Plessis
Managing Director

Condensed consolidated statement of financial position

at 31 December 2014

	Unaudited 31 December			Audited 30 June
	2014 R'000	% change	2013 R'000	2014 R'000
ASSETS				
Non-current assets	218 963		182 756	192 410
Property, plant and equipment	140 667	26%	111 550	117 707
Biological assets	67 488	7%	63 086	65 831
Trademarks	253	79%	141	140
Goodwill	7 979	0%	7 979	7 979
Equity accounted investments	2 576	-	-	753
Current assets	148 104		125 055	115 400
Current portion of biological assets	85 566	(7%)	92 321	85 883
Inventories	44 685	102%	22 117	24 300
Trade and other receivables	17 853	68%	10 617	4 667
Derivative financial instruments	-	0%	-	550
Total assets	367 067	19%	307 811	307 810
EQUITY AND LIABILITIES				
Equity	232 885		217 945	223 462
Share capital	7	0%	7	7
Share premium	87 498	0%	87 498	87 498
Retained earnings	145 380	11%	130 440	135 957
Total equity	232 885	7%	217 945	223 462
Non-current liabilities	114 803		59 067	69 201
Deferred income tax	63 044	11%	56 955	58 347
Deferred income grant	4 317	-	-	4 492
Long term borrowings	43 215	-	-	4 225
Trade and other payables	4 227	100%	2 112	2 137
Current liabilities	19 379		30 799	15,147
Current portion of deferred income grant	348	-	-	348
Current portion of long term borrowings	2 751	-	-	-
Trade and other payables	10 767	98%	5 434	12 408
Derivative financial instruments	1 034	14%	906	670
Bank overdraft	4 479	(82%)	24 459	1 721
Total liabilities	134 182	49%	89 866	84 348
Total equity and liabilities	367 067	19%	307 811	307 810

Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2014

	Unaudited 31 December		2013 6 months R'000	Audited 30 June
	2014 6 months R'000	% change		2014 12 months R'000
Revenue	61 520	6%	58 119	118 821
Other income	1 175	(46%)	2 156	2 855
Fair value gains and losses in financial instruments	(1 209)	(610%)	237	612
Purchases of biological assets	(9 670)	1 574%	(804)	(8 604)
Fair value changes in biological assets	1 340	(91%)	15 608	11 915
Changes in inventory	13 155	(263%)	(10 376)	(8 193)
Production costs	(12 814)	0%	(12 785)	(24 284)
Employee benefit expenses	(16 011)	11%	(14 385)	(29 038)
Depreciation and amortisation	(4 128)	0%	(4 113)	(8 259)
Other operating expenses	(8 485)	17%	(7 271)	(17 459)
Export costs	(3 330)	191%	(1 143)	(2 674)
Profit from operations	21 543		25 243	35 692
Finance costs	(756)	42%	(1 293)	(1 885)
Profit before income tax	20 787	(13%)	23 950	33 807
Deferred income tax charge	(4 697)	(38%)	(7 579)	(8 971)
Profit for the period	16 090	(2%)	16 371	24 836
Total comprehensive income for the year	16 090	(2%)	16 371	24 836

Condensed consolidated statement of changes in owners' equity

for the six months ended 31 December 2014

	Unaudited 31 December			Audited 30 June
	2014 6 months R'000	% change	2013 6 months R'000	2014 12 months R'000
Equity at the beginning of the period	223 462	9%	204 559	204 559
Adjustment to opening balance	-	(100%)	(52)	-
Profit for the period	16 090	(2%)	16 371	24 836
Dividend paid	(6 667)	127%	(2 933)	(5 933)
Equity at the end of the period	232 885	7%	217 945	223 462

Condensed consolidated statement of cash flow

for the six months ended 31 December 2014

	Unaudited 31 December			Audited 30 June
	2014 6 months R'000	% change	2013 6 months R'000	2014 12 months R'000
Cash flow from operating activities	(9 085)		7 484	35 312
Cash received from clients	49 509	(8%)	54 068	121 419
Cash paid to suppliers and employees	(57 838)	28%	(45 291)	(84 222)
Cash generated from operations	(8 329)	(195%)	8 777	37 197
Finance costs	(756)	(42%)	(1 293)	(1 885)
Cash flow from investment activities	(28 747)		(2 211)	(13 366)
Purchases of property, plant and equipment	(26 798)	1112%	(2 211)	(13 074)
Proceeds from disposal of property, plant and equipment	-	-	-	48
Investment in equity accounted entities	(1 823)	-	-	(328)
Invested in trademark registration	(126)	-	-	(12)
Cash flow from financing activities	35 074		(2 933)	3 132
Increase in deferred income grant	-	-	(2 933)	4 840
Increase in long term borrowings	41 741	-	-	4 225
Dividend paid to Company's shareholders	(6 667)	127%	-	(5 933)
Net cash flow for the period	(2 758)		2 340	(25 078)
Cash and cash equivalents - beginning of the period	(1 721)		(26 799)	25 078
Cash and cash equivalents - end of the period	(4 479)	82%	(24 459)	(1 721)

Notes to the interim results

for the six months ended 31 December 2014

1. CORPORATE INFORMATION

Abagold Limited (the "Company") is a company incorporated and domiciled in South Africa. The Company has one wholly owned subsidiary, Specialised Aquatic Feeds (Proprietary) Limited (previously Abamax Abalone Farm (Proprietary) Limited) which started producing and selling formulated feeds from 1 July 2014.

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of preparation

The interim financial statements are presented in Rands, rounded off to the nearest thousand.

The financial statements are prepared in accordance with and comply with the requirements of International Financial Reporting Standards (IFRS). In addition, the financial statements comply with IAS 34 (Interim Financial Reporting) and relevant sections of the South African Companies Act of 2008, as amended. The accounting policies and basis of presentation have been applied consistently with the previous period.

Interim condensed financial statements do not include all the information and the disclosures required in the audited annual financial statements, and should be read in conjunction with the Company's audited annual financial statements as at 30 June 2014. The 30 June 2014 figures are included for ease of reference and comparison.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2014.

	Unaudited 31 December		Audited 30 June
	2014 6 months R'000	2013 6 months R'000	2014 12 months R'000
Total profit attributable to ordinary shareholders	16 090	16 371	24 836
The entire "Profit for the period" is attributable to ordinary shareholders			
Weighted average number of ordinary shares (in thousands)	133 333	133 333	133 333
Earnings per share (in cents per share)	12.07	12.28	18.63

Note: There are no instruments in issue that could have a dilutive effect and therefore the diluted earnings per share equal the earnings per share. There are no material adjustments to earnings required in determining the headline earnings and therefore the headline earnings per share equal the earnings per share.