

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
(Registration number: 1993/000220/06)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

**SUBTROPICO LIMITED AND ITS SUBSIDIARIES/
SUBTROPICO BEPERK EN SY FILIALE**

**CONSOLIDATED FINANCIAL STATEMENTS/
GEKONSOLIDEERDE FINANSIËLE STATE**

**FOR THE YEAR ENDED 31 DECEMBER 2009/
VIR DIE JAAR GEËINDIG 31 DESEMBER 2009**

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**SUBTROPICO LIMITED AND ITS SUBSIDIARIES/
SUBTROPICO BEPERK EN SY FILIALE**

**CORPORATE INFORMATION /
KORPORATIEWE INLIGTING**

**FOR THE YEAR ENDED 31 DECEMBER 2009/
VIR DIE JAAR GEËINDIG 31 DESEMBER 2009**

Registration number / Registrasienommer: 1993/000220/06

Registered address / Geregistreerde adres: Parkland No./Nr. 5
229 Bronkhorst Street/ Bronkhorststraat 229
New Muckleneuk
Pretoria

Postal address / Posadres: P O Box 1546/Posbus 1546
Brooklyn Square
0075

Group Auditors / Groep Ouditeure Meintjes Vermooten Brooklyn - Pretoria

Other Auditors / Ander Ouditeure Veritas CA/GR - Paarl
PricewaterhouseCoopers Inc/Ing - Pretoria, Cape Town/Kaapstad, Bloemfontein, Polokwane
KPMG Inc/Ing - Nelspruit

Attorneys / Prokureurs: Willemse, Benadé, Venter and/en Davis

Group Bankers / Groep Bankiers: ABSA Bank

Diary / Finansiële Dagboek:

Annual report / Jaarverslag 5 July / Julie 2010

(A summary of the Annual report is available in Afrikaans / 'n Verkorte weergawe van die Jaarverslag is beskikbaar in Afrikaans)

Final dividend (payable) / Finale dividend (betaalbaar) 30 June / Junie 2010

Annual general meeting / Algemene jaarvergadering 20 August / Augustus 2010

Interim results / Tussentydse resultate 30 September 2010

Analysis of shareholding / Analise van aandeelhouding:

	Number of Shareholders Aantal Aandehouers	% of Total % van Totaal	Shares Held Aandele Gehou	% of Total % van Totaal
1 - 500	92	34.33%	17,471	0.69%
501 - 1 000	33	12.31%	24,993	0.99%
1 001 - 5 000	103	38.43%	254,871	10.05%
5 001 - 10 000	14	5.22%	92,432	3.65%
10 001 - 50 000	20	7.46%	387,499	15.29%
OVER/MEER AS 50 000	6	2.24%	1,757,734	69.34%
	268	100%	2,535,000	100%

**SUBTROPICO LIMITED AND ITS SUBSIDIARIES/
SUBTROPICO BEPERK EN SY FILIALE**

GROUP FINANCIAL HIGHLIGHTS / GROEP FINANSIËLE HOOGTEPUNTE

**FOR THE YEAR ENDED 31 DECEMBER 2009/
VIR DIE JAAR GEËINDIG 31 DESEMBER 2009**

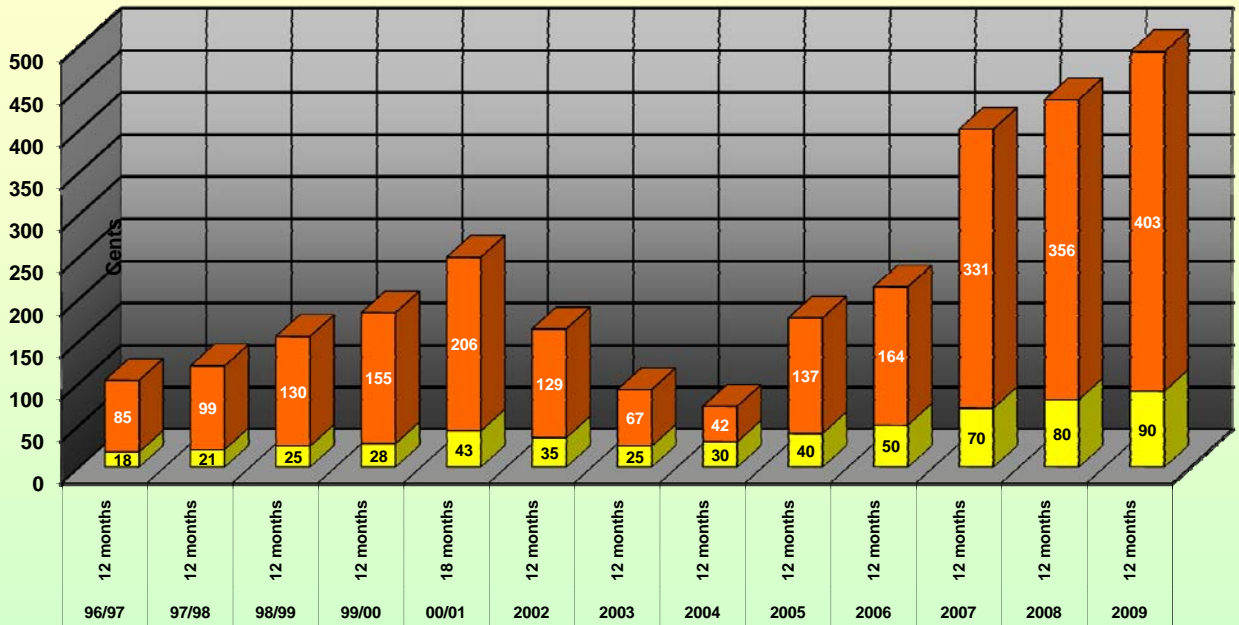
	2009	2007	2007	2006
Revenue/ Omset (R'000)	268,282	255,544	236,494	128,440
Profit before tax / Wins voor belasting (R'000)	20,051	19,205	39,945	16,458
Headline earnings before tax (R'000)/ Wesensverdiensle voor belasting (R'000)	17,480	17,618	17,618	8,484
Headline earnings / Wesensverdiensle (R'000)	10,218	9,036	8,371	3,501
Headline earnings per share (cent)/ Wesensverdiensle per aandeel (sent)	403	356	331	164
Dividend per share (cent) / Dividend per aandeel (sent)				
- Paid / Betaal	80	70	50	40
- Paid / Betaal (Special / Spesiale)	-	-	-	84
- Reserve / Reserwe	90	80	70	50
Net asset value per share (rand)/ Netto bate waarde per aandeel (rand)	33.75	33.37	27.11	20.51
Tangible net asset value per share (rand)/ Tasbare netto bate waarde per aandeel (rand)	27.98	26.30	20.73	19.60
Shares last traded at (rand) per share/ Laaste aandele verhandeling teen (rand) per aandeel	23.01	20.01	16.00	10.00



*Stellar performances by core businesses despite recession.
Well positioned to undertake further corporate action.*

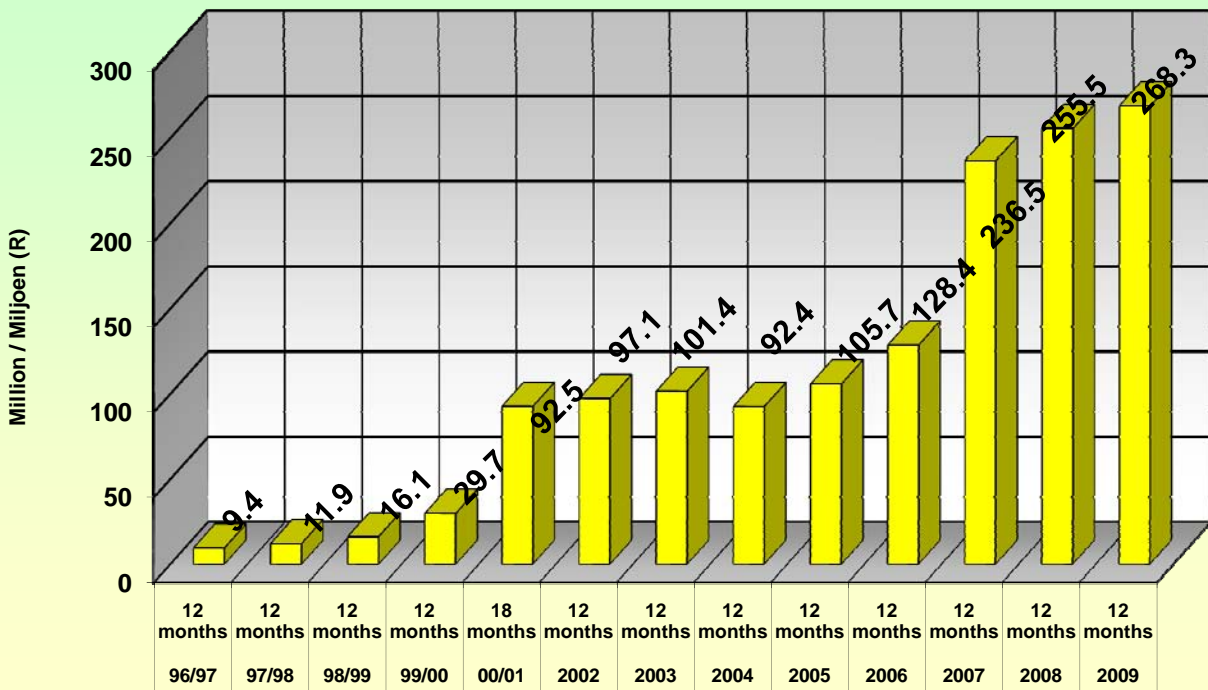
Increase in turnover 4.98%	Increase in headline earnings per share 13.1%	Increase in dividend to ordinary shareholders 12.5%
Total assets under management R221.3 M	Cash generated from operations R25.2 M	Net asset value per share R33.75

SHARE PERFORMANCE / AANDELPRESTASIE: 1996 - 2009



■ Dividend per share / Dividend per aandeel ■ Headline earnings per share / Wesensverdienste per aandeel

GROUP TURNOVER / GROEPOMSET: 1996 - 2009



**SUBTROPICO LIMITED AND ITS SUBSIDIARIES/
SUBTROPICO BEPERK EN SY FILIALE
CHAIRMAN'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009**

INTRODUCTION

It is with great pleasure that we report on the group's results for the year ended 31 December 2009.

With the world's population growing by 1 billion people every 11 years, the demand for agricultural commodities will continue to increase despite the impact of the economic recession and the resulting slow down in consumer spending.

Land will therefore become even scarcer and it is therefore essential for agri-businesses to utilise all productive land in order to satisfy the future needs of the world. The fundamentals remain in place for strong commodity prices and food security will remain on the agenda of the developed and developing world for the foreseeable future.

Many countries have increased farming subsidies to stimulate production. This impacts on South Africa as local commodity prices are derived from global food prices and the threat exists that South African farmers will not be globally competitive if left unsubsidised, while government's land reform policies remain on top of the agenda.

The tendency to increase food stocks also present excellent opportunities for South African farmers if we consider the African continent with fertile land and low land utilisation rates. The opportunity exists to increase productivity, to invest in agriculture and to export at favourable exchange rates.

At Subtropico we will continue to invest in the agricultural value chain and we thank all stakeholders for supporting us.

INVESTMENT STRATEGY

Subtropico will continue to focus on investments in the services sector and is now well positioned to undertake further corporate action. We are currently searching for willing sellers of high quality businesses.

Subtropico is a long-term investor and offers access to capital as well as being a sound board for corporate decision making.

We remain motivated to invest in companies with the following qualities:

- (1) Established businesses in the services sector.
- (2) Significant purchases (companies with at least R500 000 after tax earnings).
- (3) Companies that have demonstrated a consistent earnings history and earnings growth potential.
- (4) Businesses earning good returns on capital .
- (5) Motivated management in place.
- (6) Simple businesses with sound business models.
- (7) An offering price is known.

1. OPERATIONAL REVIEW

Revenue

The value of goods sold by commission agents on behalf of producers amounted to +/- R2.69 billion for 2009 (2008: R2.22 billion), which consisted of fresh produce of R0.96 billion (2008: R0.82 billion) and livestock of R1.73 billion (2008: R1.4 billion) respectively.

Group turnover of R268.3 million was achieved (2008: R255.5 million).

Headline earnings

The consolidated pre-tax profit for the year amounted to R20.1 million (2008: R19.2 million). Recurring headline earnings per share increased from 356 to 403 cents. The reconciliation between profit before tax and recurring headline earnings per share is set out in note 7 of the financial statements.

Recurring headline earnings for the year were derived from the following sources:

	2009		2008		Increase/ (decrease)
	R'000	Contribution	R'000	Contribution	
Subtropico Limited (Head office)	(4,532)		(3,298)		-37.4%
Fresh Produce Market Agents	7,876	53.4%	4,997	40.5%	57.6%
Live stock Agents	6,562	44.5%	4,756	38.6%	38.0%
Value add	(1,113)	-7.5%	1,019	8.3%	-209.1%
Property Investments	1,490	10.1%	1,686	13.7%	-11.6%
Agricultural equipment	(65)	-0.4%	(125)	-1.0%	47.8%
Total	10,218	100%	9,036	100%	13.08%

SUBTROPICO LIMITED AND ITS SUBSIDIARIES/ SUBTROPICO BEPERK EN SY FILIALE

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

1. OPERATIONAL REVIEW - continued

Shareholders' value

Total assets increased from R206.7 million to R221.3 million and ordinary shareholders' interest has now reached R85.6 million (2008: R76.8 million).

Shares traded at R23.01 per share at year end (2008: R20.01) resulting in a market capitalisation of R58.3 million (2008: R50.7 million).

Subtropico has paid a dividend to shareholders in each of the past 14 years. The dividend of 90 cents per share proposed for the year (payable 30 June 2010) has increased significantly when compared to the dividend of 15 cents per share paid in 1995; and it is our goal to continue creating value for our shareholders.

The net asset value per share of R33.75 and the tangible net asset value per share of R27.98 at year end shows that the recent share price of R23.01 per share traded at a discount of 31.8% and 17.8% to the net asset values respectively.

2. SUBSIDIARIES AND RELATED INVESTMENTS

The performance of only the most significant subsidiaries and investments relevant to the group's results are discussed below:

2.1 Market agency business

The group operates its market agency business through five subsidiaries: Subtropico Market Agents (Proprietary) Limited, Subtropico Johannesburg (Proprietary) Limited, Citifresh Market Agents (Proprietary) Limited, Protea Market Agency (Proprietary) Limited and Spes Bona (Proprietary) Limited.

The value of produce handled on behalf of producers increased on a year-to-year basis by 16.4% to R957.8 million (2008: R822,6 million).

Commission to the value of R70.7 million (2008: R61 million), or a growth of 15.9%, was earned by our fresh produce market agencies.

Average commission earned as a percentage of the value of produce sold amounted to 7.2% (2008: 7.21%).

The sales comparisons of produce were:

FRUIT	2009	2008	2007	2006
	R	R	R	R
Bananas	190 539 750	168 167 581	139 874 050	129 855 179
Apples	75 086 789	69 533 299	70 715 766	59 148 446
Citrus	38 214 283	34 304 875	32 423 132	31 496 795
Stone fruit	39 758 765	36 209 589	33 381 661	32 380 209
Subtropical fruit	69 119 756	48 201 220	62 334 846	57 834 583
Other fruit cultivars	46 219 262	64 648 526	35 450 934	32 455 069
TOTAL	458 938 605	421 065 089	374 180 389	343 170 281
VEGETABLES				
Potatoes	206 862 897	177 318 610	194 205 279	144 167 706
Onions	69 607 628	57 416 907	68 315 940	38 214 692
Pumpkin cultivars	45 016 897	33 477 012	34 736 772	50 238 477
Cabbage cultivars	22 472 626	12 853 290	12 409 265	9 698 457
Leaf cultivars (spinach, lettuce)	10 546 978	7 568 802	12 083 785	7 015 964
Root cultivars	40 781 458	27 911 459	29 804 390	25 304 472
Fruit vegetables	15 277 844	12 429 072	25 408 181	29 068 351
Other vegetable cultivars	87 725 366	72 322 811	52 166 801	21 184 794
TOTAL	498 291 693	401 297 965	429 130 413	324 892 913
GRAND TOTAL	957 230 298	822 363 054	803 310 802	668 063 194

**SUBTROPICO LIMITED AND ITS SUBSIDIARIES/
SUBTROPICO BEPERK EN SY FILIALE**

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

2. SUBSIDIARIES AND RELATED INVESTMENTS - continued

2.1 Market agency business - continued

The increase in sales resulted from organic growth across all markets with the largest growth contributors being Cape Town, Kimberley, East Londen and Pietermaritzburg.

The market agency business has been restructured under one company namely Subtropico Market Agents (Proprietary) Limited. This business unit already has BEE credentials (Modise and Spes Bona) and will be able to accommodate future BEE transactions.

2.2 Vleissentraal (Proprietary) Limited and subsidiaries

On 1 December 2007 Subtropico Limited completed its acquisition of the Vleissentraal group for a total net consideration of R14.7 million. The total return on investment since 1 April 2007 has recovered 62.8% of the original investment in 32 months. The return on investment has exceeded our expectations and we are of the opinion that we will recover our investment well within the timeframe forecasted on the date of acquisition.

Commission to the value of R87.8 million (2008: R76.3 million), or a growth of 15.1%, was earned by our live stock businesses during the year.

Livestock and other goods to the value of R1.7 billion (2008: R1.4 billion) were auctioned resulting in commission of R87.8 million (2008: R76.3 million) being earned at an average rate of 5.16% (2008: 5.45%). The value of livestock and other goods sold per region can be broken down as follow:

	2009		2008	
	R million	% of total	R million	% of total
Vleissentraal Bosveld	593.3	34.4%	435.4	30.0%
Vleissentraal Bloemfontein (Including Klerksdorp)	431.4	25.0%	393.4	27.2%
Vleissentraal Ermelo	267.4	15.5%	256.2	17.7%
Vleissentraal Bethlehem	265.5	15.4%	202.7	14.0%
Vleissentraal KZN	167.4	9.7%	161.2	11.1%
	<u>1725.0</u>	<u>100%</u>	<u>1448.9</u>	<u>100%</u>

2.3 Subtropico Plaasvars Produkte (Proprietary) Limited

The company completed significant capital improvements in October 2008 to develop its retail and processing section and to expand its wholesale trade. The opportunity to expand unfortunately coincided with the recession and resulted in a decrease in turnover, an increase in doubtful debt and the liquidation of key customers.

For the 2009 financial year Plaasvars generated a turnover of R25.23 million (2008: R28.79 million) and a pre-tax loss of R2,068,032 (2008: loss of R12,298).

Further losses are expected in 2010 due to the slow down in consumer spending, and the increased floor space (and related costs) therefore not being fully utilised. We are concerned about the future viability of this business and although costs are being cut wherever possible it is difficult due to the cost of rates & taxes, water and electricity and other services increasing significantly above inflation. The business needs significant new business to break even and if the situation has not improved by December 2010 drastic measures will be taken.

2.4 Burpak Limited and it's subsidiary

Burpak provide services in an environment where farming production has begun to shrink as a result of land claims and new investment on gazetted farms is waning. The short-term consequences of these changes have started to impact on Burpak. The Board is constantly seeking opportunities to expand the activities that could add value to services Burpak already supplies.

For the 2009 financial year Burpak generated a turnover of R32.0 million (2008: R33.4 million) and a pre-tax consolidated profit of R308,170 (2008: R1,870,898). The following volumes were packed during the past three seasons:

	2009	2008	2007
Export avocado cartons	729,658	1,089,864	703,969
Banana cartons to markets	107,674	104,163	85,333
Banana cartons ripened	141,273	189,079	177,947
Litchis (kg)	143,172	68,533	251,507
Carton box manufacturing unit	2,035,664	2,440,179	2,149,460

The legal dispute with Copper Sunset Trading 29 (Pty) Ltd has been settled. The legal process of finalising the capital reduction of Burpak Da Gama has begun and should be completed in 2010.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES/ SUBTROPICO BEPERK EN SY FILIALE

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

2. SUBSIDIARIES AND RELATED INVESTMENTS - continued

2.5 Zedpro (Proprietary) Limited

The sale of bananas and other fresh produce in the Levubu and Potgietersrus (Mokopane) area amounted to R6.0 million (2008: R6.9 million). Zedpro made a profit before tax of R54,083 (2008: R132,925) for the financial year.

Land claims in the Levubu-area is impacting on the company's turnover and profitability. The directors of Zedpro will continue to evaluate new opportunities that may result from this changing business environment.

2.6 Subtropico International (Proprietary) Limited and subsidiaries

Subtropico International (Proprietary) Limited generated a turnover of R27.94 million (2008: R30.65 million) for the year ended 31 December 2009. The profit before tax of R624,000 for the year (2008: loss R27,624) includes a non recurring profit of R1.0 million from the sale of Potbelly Pantry. The poorer operating performance can be attributed to a shortage of reasonably priced vegetable and the price pressure experienced from retailers. The situation has however improved significantly in the first quarter of 2010.

Subtropico International's management is currently investigating various exciting opportunities to expand their existing business and product range and that will help them to become innovation leaders in their industry.

2.7 Yabeng Investment Holding Company Limited

The Yabeng group currently has a portfolio of commercial properties valued at R71.9 million (2008: R71.6 million) held by Pen Property Holdings (Pty) Ltd ("Pen Prop").

The group made a profit before tax of R4.1 million (2008: R5.3 million). The benefit of lower interest rates is being offset by an increase in vacancy rates, municipal costs and repairs and maintenance which all resulted in a decrease in profitability.

Pen Prop made an operating profit before tax for the year of R3.9 million (2008: R3.1 million). This includes a fair value adjustment of the investment properties of R348,761 (2008: Nil). Pen Prop will continue to add to its commercial property portfolio when the opportunity arises.

Madikwe River Game Lodge made a loss before tax of R572,768 for the year (2008: profit R222,031) which includes major repairs and maintenance of R652,313 (2008: Nil). The decrease in profitability was the result of lower room occupancy than expected as a result of increased competition in the reserve and a general slowdown of customer spending on travel and leisure. The future marketing to both corporate clients and families is paramount in ensuring future profitability.

3. CORPORATE GOVERNANCE

Subtropico and its directors reaffirm their commitment to the principles of openness, integrity and accountability and to providing timeous, relevant and meaningful reporting to all stakeholders. They will ensure that the group's business is conducted in accordance with high standards of corporate governance and with local and internationally accepted corporate practice, and that the Subtropico group complies with all relevant laws and regulations.

The board of directors is responsible for directing and controlling the Subtropico group's strategy and activities and for providing leadership and guidance to management.

On 31 December 2009 the board comprises two executive directors and six non-executive directors.

The non-executive directors contribute to an objective and independent viewpoint on all major decision processes and standards of conduct.

The board meets at least quarterly, with additional meetings when necessary, and although specific authority has been delegated to board committees, the board retains full and effective control over the company.

Two board committees have been established and operate within the terms of reference defined by the board. Board committees have the right to investigate any matter within their written mandates.

These committees are the Audit Committee and the Remuneration Committee. Non-executive directors chair the Audit Committee and the Remuneration Committee.

**SUBTROPICO LIMITED AND ITS SUBSIDIARIES/
SUBTROPICO BEPERK EN SY FILIALE**

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

4. BLACK ECONOMIC EMPOWERMENT ("BEE")

In South Africa there is increasing pressure on business to fast-track BEE initiatives. We support the principles of the process. Care should however be taken to ensure that we achieve the real objective, namely to empower previously disadvantaged South Africans. Equity ownership receives much more attention than other aspects of empowerment such as the creation and development of small businesses. Subtropico facilitated the launch of the country's first 100% black-owned fresh produce market agency, Modise on the Bloemfontein Fresh Produce Market. We provide administration and advertising assistance, trust fund management, training and marketing.

During 2005 Subtropico in conjunction with previously disadvantaged individuals established Spes Bona, a company that operates on the Cape Town Fresh Produce Market. These Individuals have a 40% equity interest in Spes Bona and have 2 directors on the Spes Bona board.

During 2007 we appointed 2 black, independent, non - executive directors on our board who will also serve on the audit committee. We are privileged to have such high calibre individuals serving on our board.

We will continue to find ways to improve our BEE credentials in 2010.

5. FUTURE PROSPECTS

The global recession, low consumer confidence and difficult trading conditions are expected to continue in the foreseeable future. In an environment in which consumers focus on essentials to make ends meet, we feel that the agricultural sector in which we operate in are far less exposed to this slow down than the industries that surround us. We look forward to the 2010 World Cup but do not expect it to contribute materially to our bottom line.

The demand for livestock has remained strong in the first quarter of 2010 but sales of fresh produce on behalf of producers are below budget. The value-add segment of our business is expected to experience a better 2010.

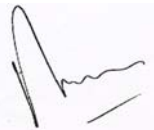
Subtropico Limited is now well positioned to undertake further corporate action and unless unforeseen circumstances arise within the agricultural sector, the profitability of the group is expected to improve during 2010.

6. DIVIDENDS

Subtropico Limited paid a dividend of 80 cents per share on 30 June 2009. The board declared a dividend of 90 cents per share payable on 30 June 2010.

7. ACKNOWLEDGEMENT

I would like to extend a special word of thanks to our managers, executives, staff and board of directors who give substance to our vision to provide a 1st class service to our customers. To those shareholders who have remained committed to Subtropico and our long-term vision and strategy, we express our appreciation. Finally, I would like to express my appreciation to all agri-business clients and producers for supporting our group of companies, we look forward to strengthening our relationships with all stakeholders over the coming years.



AF OBERHOLZER
Chairman

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

STATEMENT OF DIRECTORS' RESPONSIBILITY/ CERTIFICATE BY THE COMPANY SECRETARY

FOR THE YEAR ENDED 31 DECEMBER 2009

STATEMENT OF DIRECTORS' RESPONSIBILITY

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Subtropico Limited and its subsidiaries. The financial statements presented on pages 12 to 41 have been prepared in accordance with 'International Financial Reporting Standard for Small and Medium-sized Entities' (IFRS for SMEs) and in the manner required by the South African Companies Act and include amounts based on judgements and estimates made by management.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that IFRS for SMEs have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the company and group at year-end. The directors also prepared the other information included in the financial statements and are responsible for both its accuracy and its consistency with the financial statements.

The directors are also responsible for the company's systems of internal financial control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

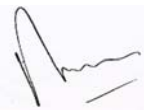
The directors have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the company and group to enable the directors to ensure that the financial statements comply with the relevant legislation.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company and group will not be a going concern in the foreseeable future based on forecasts and available cash resources. The financial statements support the viability of the company and group.

The financial statements have been audited by the independent auditors, Meintjes Vermooten Brooklyn, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The audit report of Meintjes Vermooten Brooklyn is presented on page 12.

The financial statements were approved by the board of directors on 5 July 2010 and are signed on its behalf by:



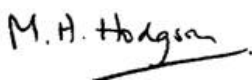
A F OBERHOLZER
Chairman
5 July 2010



B P BOTHA
Executive Director
5 July 2010

CERTIFICATE BY THE COMPANY SECRETARY

In my opinion as company secretary, I hereby confirm, in terms of the South African Companies Act, 1973, that for the year ended 31 December 2009, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.



M H Hodgson
Secretary

GEREGISTREERDE REKENMEESTERS EN OUDITEURE
GEOKTROOIEERDE REKENMEESTERS (SA)
PRAKTYK NR.903147

REGISTERED ACCOUNTANTS AND AUDITORS
CHARTERED ACCOUNTANTS (SA)
PRACTICE NO.903147

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We have audited the annual financial statements and the consolidated financial statements of Subtropico Limited and its subsidiaries which comprise the directors' report, the statement of financial position as at 31 December 2009, the statements of comprehensive income, changes in equity and cashflows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 41.

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 the International Financial Reporting Standard for Small and Medium-sized Entities and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 the directors, 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 financial statements present fairly, in all material respects, the financial position of the company and group as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and in the manner required by the Companies Act of South Africa.



Meintjes Vermooten Brooklyn
Registered Auditors
PRETORIA
5 July 2010

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their annual report, which forms part of the audited financial statements of the company and of the group for the year ended 31 December 2009.

1. NATURE OF BUSINESS

The nature of the group's business is as follows:

- Subtropico Limited operates as a holding company, which has investments in subsidiaries, unlisted companies, properties and deposits at banking institutions.

Fresh Produce Market Agents

- Subtropico Market Agents (Proprietary) Limited undertakes the marketing of fresh produce on 10 municipal markets in South Africa namely: Bloemfontein, East London, Kimberley, Klerksdorp, Pietermaritzburg, Pretoria, Springs, Vereeniging, Welkom and Witbank.
- Subtropico Johannesburg (Proprietary) Limited undertakes the marketing of fresh produce at the Johannesburg Fresh Produce Market.
- Protea Market Agents (Proprietary) Limited undertakes the marketing of fresh produce at the Pretoria Fresh Produce Market.
- Spes Bona Market Agency (Proprietary) Limited undertakes the marketing of fresh produce at the Cape Town Fresh Produce Market.
- Citifresh Market Agents (Proprietary) Limited undertakes the marketing of fresh produce at the Johannesburg Fresh Produce Market.

Livestock Agents

- Vleissentraal (Pty) Ltd and its 5 subsidiaries undertake the marketing of livestock (cattle, sheep, goats and pigs), game and properties in the Bosveld, Bloemfontein, Bethlehem, Ermelo and KZN.

Value add (Processing, Packaging, Wholesale and Retail of fresh produce)

- Zedpro (Proprietary) Limited undertakes the ripening, packaging and marketing of bananas, avocados, vegetables and other subtropical fruit at Potgietersrus and Levubu.
- Burpak Limited undertakes the ripening and marketing of bananas, as well as the packaging and marketing of avocados and litchis at Hazyview.
- Subtropico International (Proprietary) Limited undertakes the processing, packaging of and trading in agricultural produce on contract for clients that include Westfalia, Woolworths, Pick and Pay and Spar.
- Subtropico Plaasvars Produkte (Proprietary) Limited undertakes the packaging and marketing of fresh produce to the wholesale and retail trade in Bloemfontein.

Agricultural equipment (parts and whole goods)

- Agri Bid Auctions and Sales (Proprietary) Limited undertakes the business of marketing tractors and the sale of parts, as well as the operation and organisation of auctions in the agricultural industry.
- Earlyworks 216 (Proprietary) Limited undertakes the selling of used parts and the renting out of assets used in the agricultural industry.

Property Investments

- Yabeng Investment Holding Company Limited is an investment holding company whose most notable subsidiaries include:
 - Madikwe River Lodge (Proprietary) Limited that owns a game lodge in the Madikwe Game Reserve.
 - Pen Property Holdings (Proprietary) Limited is a property investment company that owns a commercial property portfolio held for rental income and capital gain.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2009

2. FINANCIAL RESULTS

The consolidated profit for the year attributable to equity holders of the company, amounted to R10.6 million (2008: R10.1 million). The reconciliation between profit before tax and headline earnings per share is set out in note 7 of the financial statements.

The turnover of the group increased by 5.01% from R255.5 million to R268.3 million.

Summary of the contribution to consolidated turnover by the different group companies:

	% of Total Turnover	Year ended 2009 R'000	Year ended 2008 R'000	Year ended 2007 R'000
Subtropico Limited		61	72	175
<u>Fresh Produce Market Agents</u>	26.3%	70,599	61,018	57,715
Subtropico Market Agents (Proprietary) Limited		48,598	42,062	39,620
Subtropico Johannesburg (Proprietary) Limited		9,408	9,174	9,081
Protea Market Agents (Proprietary) Limited		-	-	8
Spes Bona Market Agency (Proprietary) Limited		6,490	3,149	2,901
Citifresh Market Agents (Proprietary) Limited		6,103	6,633	6,105
<u>Livestock Agents</u>	32.7%	87,824	76,286	53,609
Vleissentraal (Proprietary) Limited and subsidiaries		87,824	76,286	53,609
<u>Value add (Processing, Packing, Wholesale and Retail of fresh produce)</u>	34.0%	91,192	95,498	74,715
Zedpro (Proprietary) Limited		5,997	2,896	3,601
Burpak Limited and subsidiaries		32,024	33,161	20,304
Subtropico International (Proprietary) Limited and subsidiaries		27,939	30,654	22,148
Subtropico Plaasvars Produkte (Proprietary) Limited		25,232	28,787	28,662
<u>Agricultural equipment (parts and whole goods)</u>	0.0%	19	3,914	32,662
Agri Bid Auctions and Sales (Proprietary) Limited		19	3,914	6,209
Vitamech (Proprietary) Limited		-	-	26,005
Earlyworks 216 (Proprietary) Limited		-	-	448
<u>Property Investments</u>	6.9%	18,587	18,756	17,618
Madikwe River Lodge (Proprietary) Limited		8,768	8,800	7,833
Pen Property Holdings (Proprietary) Limited		9,819	9,956	9,785
		268,282	255,544	236,494

Please note that the fresh produce and livestock revenue consist of commission income.

Further details of the financial results are set out in the attached financial statements.

3. DIVIDENDS

A dividend of 80 cents per share was declared and paid during the year (2008: 70 cents per share).

Provision has been made for a dividend of 90 cents per share (2008: 80 cents per share) out of current profits to be paid in the 2010 financial year. The provision has been included in the balance sheet as a dividend reserve.

4. SHARE CAPITAL

The authorised share capital is 3 000 000 (2008: 3 000 000) ordinary shares of no par value.

The issued share capital is 2 535 000 (2008: 2 535 000) ordinary shares of no par value.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2009

5. DIRECTORS AND SECRETARY

The present directors of the company are:

A F Oberholzer	(Chairman)	¹ Members of Audit Committee
B P Botha ^{1,2}	(Chief Executive Officer)	² Members of Remuneration Committee
I N Coulthard		
M A F Moja		
J S Pieterse ^{1,2}		
C F P van Dyk ²		
S Vil-Nkomo		
A Vos		

The secretary of the company is MH Hodgson, whose business and postal addresses are:

Business address:	Postal address:
No. 5 Parkland	P O Box 1546
229 Bronkhorst Street	Brooklyn Square
New Muckleneuk	Pretoria
Pretoria	0075
0181	Telephone number: (012) 460 9910 / Fax number (012) 460 9911

6. DIRECTORS' INTERESTS IN CONTRACTS

No material contracts involving directors' interests were entered into in the current year.

7. INVESTMENTS IN SUBSIDIARIES

Information relating to the company's interests in its subsidiaries is set out in the chairman's report and in note 10 to the financial statements.

8. MATERIAL EVENTS AFTER YEAR END

No matters occurring between the balance sheet date and the date of approval of the financial statements, which would have a material affect upon the financial affairs of the company and the group have been noted.

9. AUDITORS

Meintjes Vermooten Brooklyn will continue in office in accordance with section 270(2) of the Companies Act.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

Company			Consolidated	
2009	2008		2009	2008
R'000	R'000	Notes	R'000	R'000
ASSETS				
45,360	52,981		141,177	133,470
Non-current assets				
145	306	8	27,261	24,355
2,360	2,360	9	85,583	85,234
42,632	50,047	10	-	-
-	-	11	1,642	1,646
183	181	12	2,545	553
-	-	13	14,627	17,047
40	-	18	2,337	2,389
-	87	15	7,182	2,246
18,801	783		80,121	73,233
Current assets				
212	-		3,175	1,520
-	-	14	3,110	4,644
338	672	15	35,113	33,378
18,251	111	16	38,723	33,691
64,161	53,764		221,298	206,703
EQUITY				
Capital and reserves attributable to equity holders				
46,799	40,187		85,559	76,785
17,578	17,578	17	17,578	17,578
2,282	2,028		2,282	2,028
-	-		381	441
26,939	20,581		65,318	56,738
-	-		45,045	42,706
46,799	40,187		130,604	119,491
LIABILITIES				
Non-current liabilities				
-	147		24,997	27,687
-	147	18	3,695	4,062
-	-	19	21,066	23,562
-	-	20	236	63
17,362	13,430		65,697	59,526
Current liabilities				
5,362	1,190	20	46,850	40,060
-	-	21	1,313	992
12,000	11,935	19	15,796	16,006
-	305		1,738	2,468
64,161	53,764		221,298	206,703

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

Company			Consolidated	
2009	2008		2009	2008
R'000	R'000	Notes	R'000	R'000
342	353	Revenue	268,282	255,544
-	-	Cost of sales	(76,911)	(84,982)
<u>342</u>	<u>353</u>	Gross profit	<u>191,371</u>	<u>170,562</u>
104	117	Other operating income	15,705	16,248
(3,917)	(3,159)	Administrative and operating expenses	(189,977)	(168,466)
<u>(3,471)</u>	<u>(2,689)</u>	Profit from operating activities	<u>17,099</u>	<u>18,344</u>
9,243	9,205	Profit from investment activities	2,945	1,636
<u>5,772</u>	<u>6,516</u>	Operating profit	<u>20,044</u>	<u>19,980</u>
4,591	3,639	Finance income	5,621	4,902
(2,045)	(833)	Finance cost	(5,610)	(5,664)
<u>2,546</u>	<u>2,806</u>	Finance income/(cost) - net	<u>11</u>	<u>(762)</u>
-	-	Share of profit/(loss) of associates	(4)	(13)
<u>8,318</u>	<u>9,322</u>	Profit before income tax	<u>20,051</u>	<u>19,205</u>
322	(260)	Income tax credit/(expense)	(6,761)	(5,540)
<u>8,640</u>	<u>9,062</u>	Profit for the year	<u>13,290</u>	<u>13,665</u>
		Profit for the year attributable to:		
8,640	9,062	Equity holders of the company	10,582	10,106
-	-	Minority interest	2,708	3,559
<u>8,640</u>	<u>9,062</u>		<u>13,290</u>	<u>13,665</u>
		Earnings per share for profit attributable to equity holders:		
341	357	Basic earnings per share (cents)	417	399
338	282	Recurring headline earnings per share (cents)	403	356
<u>80</u>	<u>70</u>	Dividend per share (cents)	<u>80</u>	<u>70</u>

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009**

Company		Notes	Consolidated	
2009 R'000	2008 R'000		2009 R'000	2008 R'000
Share capital				
Ordinary shares				
17,578	17,578		17,578	17,578
-	-		-	-
<u>17,578</u>	<u>17,578</u>	17	<u>17,578</u>	<u>17,578</u>
Non-distributable reserve				
-	-		441	490
-	-		47	(22)
-	-		(107)	(27)
<u>-</u>	<u>-</u>		<u>381</u>	<u>441</u>
Dividend reserve				
2,028	1,775		2,028	1,775
2,282	2,028		2,282	2,028
(2,028)	(1,775)	6	(2,028)	(1,775)
<u>2,282</u>	<u>2,028</u>		<u>2,282</u>	<u>2,028</u>
Retained earnings				
20,581	13,547		56,738	48,890
-	-		59	(303)
8,640	9,062		10,582	10,106
-	-		-	(13)
-	-		182	59
-	-		38	27
(2,282)	(2,028)		(2,282)	(2,028)
<u>26,939</u>	<u>20,581</u>		<u>65,318</u>	<u>56,738</u>
Minority interest				
-	-		42,706	41,416
-	-		25	303
-	-		2,708	3,559
-	-		29	(1,867)
-	-		29	(1,867)
-	-		-	-
-	-		29	(1,867)
-	-		-	59
-	-		(423)	(764)
<u>-</u>	<u>-</u>		<u>45,045</u>	<u>42,706</u>

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009**

Company		Notes	Consolidated	
2009 R'000	2008 R'000		2009 R'000	2008 R'000
Cash flows from operating activities				
1,347	(8,133)	24	25,238	21,524
4,591	3,639		5,621	4,902
(2,045)	(833)		(5,610)	(5,664)
(2,029)	(1,775)		(2,028)	(1,775)
(382)	(265)		(9,461)	(7,310)
<u>1,481</u>	<u>(7,367)</u>		<u>13,760</u>	<u>11,677</u>
Cash flows from investing activities				
(73)	(85)		(8,741)	(8,460)
-	-		-	(10,589)
9	28		2,273	1,316
-	-		-	-
-	-		-	4
-	-		(10)	(1,015)
-	-		-	142
-	-		-	-
7,773	(8,209)		(141)	(2,526)
255	-		(881)	(13)
-	-		1,084	-
8,628	6,892		-	-
-	-		-	16
-	103		417	1,582
-	-		(23)	(22)
<u>16,593</u>	<u>(1,272)</u>		<u>(6,022)</u>	<u>(19,565)</u>
Cash flows from financing activities				
-	-		-	-
-	-		(2,866)	(1,977)
<u>-</u>	<u>-</u>		<u>(2,866)</u>	<u>(1,977)</u>
Net increase/(decrease) in cash and cash equivalents				
18,074	(8,639)		4,872	(9,865)
(11,824)	(3,185)		21,240	31,105
<u>6,250</u>	<u>(11,824)</u>	16	<u>26,112</u>	<u>21,240</u>

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

SUMMARY OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2009

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with the 'International Financial Reporting Standard for Small and Medium-sized Entities' (IFRS for SMEs) using the historical cost convention as modified by the revaluation of financial assets and liabilities at fair value.

The preparation of financial statements in conformity with IFRS for SMEs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period based on management's best knowledge of current events and actions. Actual results may ultimately differ from these estimates.

1. CONSOLIDATION

Subsidiaries are all 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 and 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. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

2. INVESTMENTS IN ASSOCIATES

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

3. FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of the company and group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in South African Rand which is the company and 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. 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 the income statement.

4. PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. 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 company and group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

SUMMARY OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2009

4. PROPERTY, PLANT AND EQUIPMENT - continued

Property plant and equipment, excluding leasehold improvements, are stated at historical cost less depreciation and impairment. Land is not depreciated.

Leasehold improvements comprise buildings and capitalised additions. Leasehold improvements are shown at fair value, based on periodic valuations, less subsequent depreciation. Increases in the carrying amount arising on the revaluation of leasehold improvements are credited to non-distributable reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against non-distributable reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from 'non-distributable reserves' to 'retained earnings'.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over the estimated useful lives as follows:

- Buildings	20 years
- Leasehold improvements	5 - 20 years
- Machinery and equipment	5 - 10 years
- Furniture	5 years
- Ripening rooms	5 - 10 years
- Ripening rooms inseparable from fixed structures	20 years
- Forklifts	4 - 5 years
- Motor vehicles	3 - 5 years
- Computers and other information technologies	1 - 5 years

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.

Profit and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income in the income statement. When revalued assets are sold, the amounts included in non-distributable reserves are transferred to retained earnings.

5. INVESTMENT PROPERTIES

Investment property is held for long-term rental yields. Investment property is treated as a long-term investment and is carried at fair value, representing open market value determined annually by qualified valuers. Changes in fair values are recorded as part of operating income in the income statement.

6. OTHER INVESTMENTS

Investments in subsidiaries, associates, joint ventures and other financial assets are recognised at cost less accumulated impairment loss.

7. INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates and is tested for impairment as part of the overall balance. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to cost over its estimated useful life. If a reliable estimate cannot be made, the useful life of goodwill is assumed to be 10 years. 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.

Market licence and customer related intangible assets

Market licenses and customer related intangible assets represents the purchase price of licenses and customer related intangible assets which entitles the company to trade at various markets across the country and supplier listings at customers. The market licences and customer related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated by applying the straight-line method to cost over the estimated useful life of 10 years.

8. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

SUMMARY OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2009

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

10. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out (FIFO) method, except the cost of parts and whole goods which is determined by the weighted-average method. The measured average is calculated by the cost of allocating the total production costs to the total production for the last four years. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

11. TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company and group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

12. SHARE CAPITAL

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

13. BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company and group have an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date.

14. ACCOUNTING FOR LEASES

Accounting for finance leases by lessee

Leases of property, plant and equipment ("PPE") where the company and group have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in short-term and long-term borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The PPE acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Accounting for operating leases by lessee

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 (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Accounting for finance leases by lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Accounting for operating leases by lessor

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

15. TRADE PAYABLES

Trade payables are recognised initially at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier. Subsequently, trade payables are measured at amortised cost using the effective interest rate method.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

SUMMARY OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2009

16. PROVISIONS

Provisions are recognised when the company and group have 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 not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

17. DEFERRED TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted or substantially enacted tax rates are used in the determination of deferred income tax.

Deferred 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 tax liabilities and deferred tax assets are recognised for all temporary differences, unless arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

18. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The company and group recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company and group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Revenues earned by the company and group are recognised as follows:

- Sales of parts, tractors and whole goods - upon delivery of products and customer acceptance, if any, or performance of services.
- Commission income - on an accrual basis in accordance with the substance of the relevant agreement.
- Rental income - on an accrual basis in accordance with the substance of the relevant agreement.
- Dividend income - when the shareholder's right to receive payment is established.
- Other income - recognised upon delivery of information and customer acceptance, if any or performance of services.
- Interest income - as it accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

19. DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognised as a liability in the company and group's financial statements in the period in which the dividends are declared.

20. HEADLINE EARNINGS

In the spirit of consistent and transparent communication to stakeholders, we introduced the recurring headline earnings concept as the predominant measure of Subtropico's financial performance during the year. Prior to the adoption of IFRS for SMEs, Circular 03/09 was used as a guideline in calculating headline earnings per share although not a requirement of IFRS.

The adoption of IFRS for SME's during the year resulted in accounting changes which would have resulted in the Circular's guidance being inconsistent with that of the past. Management has therefore decided to still use the Circular as a basis of calculation but has adapted it to exclude all one-off items and amortisation charges of goodwill and intangibles assets in order to provide a more reliable outcome and to be consistent with prior years.

This provides management and investors with a simpler and more reliable way of evaluating Subtropico's financial performance.

21. TRANSITION TO THE IFRS FOR SMEs

The financial statements for the year ended 31 December 2009 are the first annual financial statements prepared under accounting policies that comply with the IFRS for SMEs

Subtropico Limited's transition date is 1 January 2008. The company prepared its opening IFRS for SMEs statement of financial position at that date. In preparing the financial statements in accordance with the IFRS for SMEs, the company has applied none of the mandatory nor any of the optional exemptions from full retrospective application for the IFRS for SMEs as none of these would have a material impact on the financial statements.

No reconciliation between the company's equity of the transition from the company's SA GAAP to IFRS for SMEs were required. This is due to no material retrospective adjustments being required.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Company			Consolidated	
2009	2008		2009	2008
R'000	R'000		R'000	R'000
1. PROFIT FROM OPERATING ACTIVITIES				
The following items have been charged/(credited) in arriving at operating profit:				
227	225	Depreciation on property, plant and equipment (A detailed breakdown of the depreciation expense is presented in note 8).	5,104	4,526
115	167	Auditor's remuneration	1,583	1,614
115	165	Audit fees - current year	1,326	1,483
-	2	Other services	257	131
(2)	(30)	Profit on disposal of property, plant and equipment	(1,579)	(341)
(255)	(2,210)	Profit on disposal of investments	(352)	(640)
1,627	1,326	Directors' remuneration (executive)	14,176	12,423
89	116	Fees	3,660	3,331
1,538	1,210	Salaries	10,516	9,092
38	66	Fees relating to non-employees	922	585
-	-	Managerial services	458	427
38	66	Consulting fees	464	158
943	900	Staff costs (see note 3)	102,071	92,430
-	-	Operating lease payments	5,401	4,433
-	-	Amortisation of intangible assets (note 13)	1,789	-
2. PROFIT FROM INVESTMENT ACTIVITIES				
358	-	Reversal of impairment: Investments in subsidiaries (note 10)	-	-
-	-	Fair value adjustment on investment property (note 9)	349	-
2	-	Fair value adjustment on insurance assets (note 9)	1,705	-
255	2,210	Fair value adjustment on unlisted investments (note 9)	2	-
8,628	6,892	Profit on the disposal of investments	456	826
-	103	Dividends received	103	401
-	-	Other	-	103
-	-	Negative goodwill recognised	330	306
9,243	9,205		2,945	1,636

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

Company			Consolidated	
2009	2008		2009	2008
R'000	R'000		R'000	R'000
		3. STAFF COSTS		
943	900	Salaries and wages	102,071	92,430
		4. FINANCE INCOME		
47	122	Interest received - Bank	2,515	2,956
180	161	- Other	1,592	1,946
4,364	3,356	- Related parties	1,514	-
4,591	3,639		5,621	4,902
		FINANCE COST		
(1,619)	(346)	Interest paid - Bank	(5,551)	(4,749)
-	-	- Other	(23)	(659)
(426)	(487)	- Related parties	(36)	(256)
(2,045)	(833)		(5,610)	(5,664)
		5. TAX		
-	393	Current tax	6,316	6,516
(187)	(218)	Deferred tax	(216)	(1,245)
165	86	Secondary tax on companies	1,700	267
(299)	-	(Overprovision)/underprovision for tax	(1,039)	2
(322)	260		6,761	5,540
		6. DIVIDENDS		
2,028	1,775	Ordinary dividend of 80 cents per share (2008: 70 cents per share)	2,028	1,775

Provision has been made for a dividend of 90 cents per share (2008: 80 cents per share) out of current profits to be paid in the 2010 financial year. This provision has been included in the balance sheet as a dividend reserve.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

7. EARNINGS PER ORDINARY SHARE

	2009 R'000	2008 R'000
Consolidated		
(a) Basic earnings per share		
Basic earnings per ordinary share is calculated by dividing the profit for the year attributable to equity holders of the group by the weighted average number of ordinary shares in issue during the year (note 17).		
Profit for the year attributable to equity holders of the group	10,582	10,106
Weighted average number of ordinary shares in issue (thousands)	2,535	2,535
Basic earnings per share (c per share)	417	399

(b) Recurring headline earnings per share

Recurring headline earnings per ordinary share is calculated by dividing the recurring headline earnings for the year attributable to equity holders of the group by the weighted average number of ordinary shares in issue during the year.

Recurring headline earnings for the year attributable to equity holders of the group	10,218	9,036
Weighted average number of ordinary shares in issue (thousands)	2,535	2,535
Recurring headline earnings per share (c per share)	403	356

Reconciliation between recurring headline earnings and basic earnings of the group:

	Profit from ordinary activities R'000	Tax R'000	Minority interest R'000	Net Income R'000
31 December 2009				
According to financial statements	20,051	(6,761)	(2,708)	10,582
Adjustments:				
Profit on disposal of property, plant and equipment	(441)	124	33	(284)
Profit on disposal of investments	(1,545)	281	375	(889)
Equity accounted losses/(earnings) of associates	4	(1)	-	3
Revaluation of investment property	(348)	-	174	(174)
Revaluation of insurance assets	(1,705)	-	558	(1,147)
Amortisation of goodwill and intangible assets	1,794	-	(31)	1,763
Negative goodwill recognised	(330)	-	-	(330)
Secondary Tax on Companies assessment (2001)	-	1,389	(695)	694
Recurring headline earnings	17,480	(4,968)	(2,294)	10,218
Recurring headline earnings per share (c per share)				403

	Profit from ordinary activities R'000	Tax R'000	Minority interest R'000	Net Income R'000
31 December 2008				
According to financial statements	19,205	(5,540)	(3,559)	10,106
Adjustments:				
Profit on disposal of property, plant and equipment	(444)	124	63	(257)
Profit on disposal of investments	(850)	7	327	(516)
Equity accounted losses/(earnings) of associates	13	(4)	-	9
Negative goodwill recognised	(306)	-	-	(306)
Recurring headline earnings	17,618	(5,413)	(3,169)	9,036
Recurring headline earnings per share (c per share)				356

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

7. EARNINGS PER ORDINARY SHARE - continued	2009 R'000	2008 R'000	
Company			
(a) Basic earnings per share			
Basic earnings per ordinary share is calculated by dividing the profit for the year attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.			
Profit for the year attributable to equity holders of the company	8,640	9,062	
Weighted average number of ordinary shares in issue (thousands)	2,535	2,535	
Basic earnings per share (c per share)	341	357	
(b) Recurring headline earnings per share			
Recurring headline earnings per ordinary share is calculated by dividing the recurring headline earnings for the year attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.			
Recurring headline earnings attributable to equity holders of the company	8,549	7,139	
Weighted average number of ordinary shares in issue (thousands)	2,535	2,535	
Recurring headline earnings per share (c per share)	338	282	
Reconciliation between recurring headline earnings and basic earnings of the company:			
	Profit from ordinary activities R'000	Tax R'000	Net income R'000
31 December 2009			
According to financial statements	8,318	322	8,640
Adjustments			
Profit on disposal of investments	(255)	71	(184)
Amortisation of goodwill and intangible assets	93	-	93
Recurring headline earnings	8,156	393	8,549
Recurring headline earnings per share (c per share)			338
	Profit from ordinary activities R'000	Tax R'000	Net income R'000
31 December 2008			
According to financial statements	9,322	(260)	9,062
Adjustments			
Profit on disposal of property, plant and equipment	(30)	8	(22)
Profit on disposal of investment subsidiary	(2,210)	309	(1,901)
Recurring headline earnings	7,082	57	7,139
Recurring headline earnings per share (c per share)			282

SUBTROPICO LIMITED AND SUBSIDIARIES

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

8. PROPERTY, PLANT AND EQUIPMENT	Freehold	Leasehold	Furniture,					
	land and	improve-	machinery	Ripening	Forklifts	Motor	Computers	Total
Consolidated	buildings	ments	and	rooms		vehicles		
Year ended 31 December 2009	R'000	R'000	equipment	R'000	R'000	R'000	R'000	R'000
Opening net book amount	7,064	6,534	5,546	834	1,400	2,148	829	24,355
Additions	49	84	2,028	1,972	1,062	3,270	276	8,741
Reclassification	-	-	(1)	-	-	-	1	-
Disposals	-	-	(329)	-	(13)	(310)	(42)	(694)
Assets written off/impaired	-	(37)	-	-	-	-	-	(37)
Depreciation charge	(293)	(480)	(1,598)	(279)	(703)	(1,285)	(466)	(5,104)
Net book value end of year	6,820	6,101	5,646	2,527	1,746	3,823	598	27,261
Cost	9,018	8,257	19,160	4,244	5,605	8,054	3,122	57,460
Accumulated depreciation	(2,198)	(2,156)	(13,514)	(1,717)	(3,859)	(4,231)	(2,524)	(30,199)
Net book value end of year	6,820	6,101	5,646	2,527	1,746	3,823	598	27,261
Consolidated								
Year ended 31 December 2008								
Opening net book amount	4,553	5,705	5,612	761	1,469	2,910	611	21,621
Restatement of opening balance	(225)	-	-	-	-	-	-	(225)
Additions	3,061	1,158	1,750	373	554	936	628	8,460
Reclassification	(37)	37	-	-	-	-	-	-
Disposals	-	-	(92)	(29)	(13)	(143)	(8)	(285)
Disposal of subsidiary	-	-	(198)	-	-	(492)	-	(690)
Depreciation charge	(288)	(366)	(1,526)	(271)	(610)	(1,063)	(402)	(4,526)
Net book value end of year	7,064	6,534	5,546	834	1,400	2,148	829	24,355
Cost	8,969	8,210	17,907	2,272	4,666	5,698	3,125	50,847
Accumulated depreciation	(1,905)	(1,676)	(12,361)	(1,438)	(3,266)	(3,550)	(2,296)	(26,492)
Net book value end of year	7,064	6,534	5,546	834	1,400	2,148	829	24,355
Company								
Year ended 31 December 2009								
Opening net book amount			61	-	-	230	15	306
Additions			47	-	-	-	26	73
Disposals			-	-	-	-	(7)	(7)
Depreciation charge			(24)	-	-	(196)	(7)	(227)
Net book value end of year			84	-	-	34	27	145
Cost			337	348	-	588	107	1,380
Accumulated depreciation			(253)	(348)	-	(554)	(80)	(1,235)
Net book value end of year			84	-	-	34	27	145
Company								
Year ended 31 December 2008								
Opening net book amount			-	6	-	426	11	443
Additions			75	-	-	-	13	88
Depreciation charge			(14)	(6)	-	(196)	(9)	(225)
Net book value end of year			61	-	-	230	15	306
Cost			290	348	-	588	89	1,315
Accumulated depreciation			(229)	(348)	-	(358)	(74)	(1,009)
Net book value end of year			61	-	-	230	15	306

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Company		Freehold land and buildings comprise the following properties:		
2009 R'000	2008 R'000		Consolidated 2009 R'000	2008 R'000
-	-	Portion 31 of the farm Evert (7.7115 ha) with improvements	2,996	3,228
-	-	Portion 120 of the farm Burgershall 21	191	191
-	-	Stand 56 Hazyview	81	81
-	-	Burgershall Housing	2	2
-	-	Portion 35, Marquard Toen Land, District Marquard	50	50
-	-	Portion 144 of Farm 152, Pretorius Kloof, Bethlehem	385	385
-	-	Scheme nr 1, Fairhaven Small Holdings, Bloemfontein	3,041	3,041
-	-	Belfast auction complex	75	86
-	-		6,821	7,064

Consolidated:

Scheme nr 1, Fairhaven Small Holdings, Bloemfontein is encumbered as security for the mortgage bond (refer to note 19). Portion 31 of the farm Evert serves as security for Burpak's bank overdraft (refer to note 16).

Company		Leasehold improvements comprise the following:		
2009 R'000	2008 R'000		Consolidated 2009 R'000	2008 R'000
-	-	Leasehold improvements of Madikwe River Lodge	5,680	6,066
-	-	Leasehold improvements of Subtropico Plaasvars Produkte	421	431
-	-	Leasehold improvements of Zedpro	-	37
-	-		6,101	6,534

9. INVESTMENT PROPERTIES

The following properties have been classified as investment property:

2009 R'000	2008 R'000		2009 R'000	2008 R'000
-	-	Parkland no. 2, New Muckleneuk, Pretoria	850	850
2,360	2,360	Parkland no. 5, New Muckleneuk, Pretoria	2,360	2,360
-	-	Erf 1977, Silverton, Pretoria	16,400	13,260
-	-	Parkland no. 1, New Muckleneuk, Pretoria	1,005	875
-	-	Erf 701, Hatfield, Pretoria #	12,950	10,608
-	-	Portion 3, Erf 173, Hatfield, Pretoria #	9,750	16,630
-	-	Erf 3708, Malmesbury, Western Cape Province	1,455	1,155
-	-	Erf 715, Gezina, Pretoria #	9,285	9,913
-	-	Portion 3, Erf 146, New Muckleneuk, Pretoria #	15,200	12,600
-	-	Portion 2, Erf 161, Hatfield, Pretoria #	5,855	6,510
-	-	Erf 56, Hazyview, Mpumalanga	328	328
-	-	Portion 6 of the farm Bronkhorst no.748, Paarl #	10,145	10,145
2,360	2,360		85,583	85,234

The investment properties were valued by a professional associated valuer and the directors on 31 December 2009 at open market value.

Consolidated:

- Investment properties to the value of R60.6 million (2008: R66.4 million) are encumbered as security for mortgage bonds to the value of R20.4 million (2008: R23.6 million). Refer to note 19.

2009 R'000	2008 R'000		2009 R'000	2008 R'000
2,360	2,360	At beginning of year	85,234	74,645
-	-	Fair value adjustments (note 2)	349	-
-	-	Additions and expenses capitalised	-	10,589
2,360	2,360	At end of year	85,583	85,234

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

10. INVESTMENTS IN SUBSIDIARIES	Company	
	2009 R'000	2008 R'000
Unlisted		
At beginning of year	50,047	39,628
Investments in subsidiaries (Acquisitions)	27	41
Reclassification of investment as a loan	(275)	-
Disposal of investments in subsidiaries	-	(650)
Reversal of Impairment of investment in subsidiaries recognised in current year	1,805	-
Impairment of investment in subsidiaries recognised in current year	(1,447)	-
Movement in loans to subsidiaries (see below)	(7,525)	11,028
At end of year	<u>42,632</u>	<u>50,047</u>
Investments in subsidiaries (summary)		
Subtropico Market Agents (Proprietary) Limited	-	6
- Cost of investment in shares	-	-
- Loan account	-	6
Subtropico Johannesburg (Proprietary) Limited	-	-
- Cost of investment in shares	-	-
- Loan account	-	-
Zedpro (Proprietary) Limited	91	91
- Cost of investment in shares	91	91
- Loan account	-	-
Earlyworks 216 (Proprietary) Limited	3,775	468
- Cost of investment in shares	-	-
- Loan account	3,775	2,036
- Less: Impairment charge	-	(1,568)
Agri Bid Auctions and Sales (Proprietary) Limited	(0)	-
- Cost of investment in shares	479	479
- Loan account	1,147	1,137
- Less: Impairment charge	(1,626)	(1,616)
Burpak Limited	1,683	1,659
- Cost of investment in shares	1,683	1,659
- Loan account	-	-
Burpak Dagama Avocado Oils (Proprietary) Limited	648	409
- Cost of investment in shares	648	646
- Less: Impairment charge	-	(237)

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

10. INVESTMENTS IN SUBSIDIARIES - continued	Company	
	2009 R'000	2008 R'000
Subtropico International (Proprietary) Limited	2,915	2,315
- Cost of investment in shares	450	450
- Loan account	2,465	1,865
Yabeng Investment Holding Company Limited	10,501	10,501
- Cost of investment in shares	10,226	10,501
- Loan account	275	-
Subtropico Plaasvars Produkte (Proprietary) Limited	4,119	3,894
- Cost of investment in shares	1,680	1,680
- Loan account	3,876	2,214
- Less: Impairment charge	(1,437)	-
Vleissentraal (Proprietary) Limited	18,899	30,705
- Cost of investment in shares	1,350	1,350
- Loan account	13,349	13,512
- Debtor financing loan	4,200	15,842
	42,632	50,047

The majority of the balances consist of loans to subsidiaries and not balances arising from sales/purchases of goods/services.

The loans are unsecured and no repayment conditions have been agreed upon.

The loans to Agri Bid Auctions and Sales (Proprietary) Limited and Earlyworks 216 (Proprietary) Limited are interest free.

The debtor financing loan to Vleissentraal (Proprietary) Limited bears interest at prime less 0.25%, calculated and capitalised daily.

The loans to Subtropico Market Agents (Proprietary) Limited, Subtropico International (Proprietary) Limited, Vleissentraal (Proprietary) Limited and Subtropico Plaasvars Produkte (Proprietary) Limited bear interest at prime. Calculated and capitalised monthly.

The following information relates to the group's interest in subsidiaries:

Name	Country of incorporation /residence	Number of shares held	Effective Proportion owned	Nature of business
Subtropico Market Agents (Proprietary) Limited	South Africa	1 Ordinary share	100%	Subtropico Market Agents (Proprietary) Limited undertakes the marketing of fresh produce at 10 municipal markets in South Africa.
Subtropico Johannesburg (Proprietary) Limited	South Africa	100 Ordinary shares	100%	Subtropico Johannesburg (Proprietary) Limited undertakes the marketing of fresh produce at the Johannesburg Fresh produce market.
Protea Market Agents (Proprietary) Limited	South Africa	30,000 Ordinary shares	100%	Protea Market Agents (Proprietary) Limited undertakes the marketing of fresh produce at the Pretoria fresh produce market.
Citifresh Market Agents (Proprietary) Limited	South Africa	1,000 Ordinary shares	100%	Citifresh Market Agents (Proprietary) Limited undertakes the marketing of fresh produce at the Johannesburg fresh produce market.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

10. INVESTMENTS IN SUBSIDIARIES - continued

Name	Country of incorporation /residence	Number of shares held	Effective Proportion owned	Nature of business
Spes Bona Market Agency (Proprietary) Limited	South Africa	250 Ordinary shares	50%	Spes Bona Market Agency (Proprietary) Limited undertakes the marketing of fresh produce at the Cape Town fresh produce market.
Zedpro (Proprietary) Limited	South Africa	74,000 Ordinary shares	53%	Zedpro (Proprietary) Limited undertakes the ripening, packaging and marketing of bananas, avocados, vegetables and other subtropical fruit.
Agri Bid Auctions and Sales (Proprietary) Limited	South Africa	500,000 Ordinary shares 100,000 Preference shares	100% 100%	Agri Bid Auctions and Sales (Proprietary) Limited undertakes the business of marketing tractors and the sale of parts, as well as the operation and organisation of auctions in the agricultural industry.
Burpak Limited	South Africa	1,068,659 Ordinary shares 799,383 Preference shares	62%	Burpak Limited undertakes the ripening and marketing of bananas and packaging of avocados and litchis.
Burpak Dagama Avocado Oils (Proprietary) Limited	South Africa	1,626,002 Ordinary shares 1,882,000 Preference shares	51%	Burpak Dagama Avocado Oils (Proprietary) Limited undertook the processing of oil from avocados and macadamias and the exporting thereof. The assets of the business were sold during May 2004.
Subtropico International (Proprietary) Limited	South Africa	450,000 Ordinary shares	60%	Subtropico International (Proprietary) Limited undertakes the processing, packing and trading in agricultural produce.
Yabeng Finance (Proprietary) Limited	South Africa	150,000 Ordinary shares	60%	Yabeng Finance (Proprietary) Limited is a property investment company.
Subtropico Farm Fresh (Proprietary) Limited	South Africa	100 Ordinary shares	39%	Subtropico Farm Fresh (Proprietary) Limited undertakes the processing, packing and trading in agricultural produce.
Earlyworks 216 (Proprietary) Limited	South Africa	100 Ordinary shares	100%	Earlyworks 216 (Proprietary) Limited undertakes the selling of used parts for the agricultural industry.
Yabeng Investment Holding Company Limited	South Africa	35,210,965 Ordinary shares	50%	Yabeng Investment Holding Company Limited is an investment holding company.
Yabeng Property Investments (Proprietary) Limited	South Africa	100 Ordinary shares	50%	Yabeng Property Investments (Proprietary) Limited is an investment holding company.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

10. INVESTMENTS IN SUBSIDIARIES - continued

Name	Country of incorporation / residence	Number of shares held	Effective Proportion owned	Nature of business
Pen Property Holdings (Proprietary) Limited	South Africa	900 Ordinary shares	50%	Pen Property Holdings (Proprietary) Limited is a property investment company.
Country Escapes (Proprietary) Limited	South Africa	220,500 Ordinary shares	50%	Country Escapes (Proprietary) Limited is an investment holding company.
Game Investment Holdings (Proprietary) Limited		150 Ordinary shares	35%	Game Investment Holdings (Proprietary) Limited is an investment holding company.
Madikwe River Lodge (Proprietary) Limited	South Africa	1 Ordinary shares	35%	Madikwe River Lodge (Proprietary) Limited's principal activity is investment in a game lodge, game lodge operations and all activities ancillary thereto.
Madikwe River Lodge Management (Proprietary) Limited	South Africa	1 Ordinary shares	35%	Dormant
Subtropico Plaasvars Produkte (Proprietary) Limited	South Africa	1,680,000 Ordinary shares	80%	Subtropico Plaasvars Produkte (Proprietary) Limited undertakes the packing and marketing of fresh produce to the wholesale and retail trade in Bloemfontein.
Vleissentraal (Proprietary) Limited	South Africa	100 Ordinary shares	100%	Vleissentraal (Proprietary) Limited is an investment holding company.
Vleissentraal Bethlehem (Proprietary) Limited	South Africa	3,300 Ordinary shares	55%	Hentiq 2003 (Proprietary) Limited undertakes the marketing of livestock (cattle, sheep, goats and pigs), game and properties.
Vleissentraal Bloemfontein (Proprietary) Limited	South Africa	198 Ordinary shares	55%	Hentiq 2004 (Proprietary) Limited undertakes the marketing of livestock (cattle, sheep, goats and pigs), game and properties.
Calwest (Proprietary) Limited	South Africa	100 Ordinary shares	55%	Calwest (Proprietary) Limited is a property investment company.
Vleissentraal Bosveld (Proprietary) Limited	South Africa	99 Ordinary shares	55%	Vleissentraal Bosveld (Proprietary) Limited undertakes the marketing of livestock (cattle, sheep, goats and pigs), game and properties.
Vleissentraal KZN (Proprietary) Limited	South Africa	1,573 Ordinary shares	65%	Landswyd Afslaers (Proprietary) Limited undertakes the marketing of livestock (cattle, sheep, goats and pigs), game and properties.
Vleissentraal Ermelo (Proprietary) Limited	South Africa	957 Ordinary shares	55%	National Stud Stock Auctioneers (Proprietary) Limited undertakes the marketing of livestock (cattle, sheep, goats and pigs), game and properties.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

Company			Consolidated		
2009	2008		2009	2008	
R'000	R'000		R'000	R'000	
11. INVESTMENTS IN ASSOCIATES					
		Name	2009 Holding%	Carrying amount	
		Unlisted			
-	-	Inyanga Trading 54 Limited	50%	665	657
-	-	Hedge Auctioneers (Pty) Limited	45%	3	7
-	-	Leydsdorp Veilingskrale (Pty) Limited	50%	48	50
-	-	Warmbad Veemark	30%	737	738
-	-	Olemre (Pty) Ltd	50%	125	130
-	-	Liefgekozen Estate (Pty) Ltd	50%	64	64
-	-			1,642	1,646
12. OTHER FINANCIAL ASSETS					
181	181	At beginning of year		553	490
-	-	Opening balance adjustment		13	-
-	-	Recognition of insurance asset		214	-
351	-	Purchase of other investments		667	13
(351)	-	Sale of other investments		(628)	-
-	-	Capital repayments of loans and receivables		-	(4)
-	-	Reclassification as loans and receivables		-	49
2	-	Fair value adjustments to other investments		21	5
-	-	Fair value adjustments to insurance assets		1,705	-
183	181	At end of year		2,545	553
Name					
Number of shares held					
Unlisted					
Available for sale financial assets					
173	171	Houers Kooperatief Limited	326 156: Ordinary shares	173	171
10	10	Techno Fresh (Pty) Limited	10: Ordinary shares	10	10
-	-	Old Mutual and Sanlam Life Policies		301	244
-	-	Corporate guarantee insurance asset		1919	-
-	-	Other investments		27	13
183	181			2,430	438
Loans and receivables					
-	-	Techno Fresh (Pty) Limited		49	49
-	-	Crystal Cascades Properties 5 (Pty) Ltd		66	66
-	-			115	115
183	181			2,545	553

On 31 December 2009 the cost price of unlisted investments was considered by the board of directors to be the realistic value of the investments.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

Company			Consolidated	
2009	2008	13. INTANGIBLE ASSETS	2009	2008
R'000	R'000		R'000	R'000
		Goodwill (Net)		
-	-	At beginning of year	15,470	14,597
-	-	Additions through business combinations	-	1,015
-	-	Disposal through business divesture	-	(142)
-	-	Amortisation charge	(641)	-
-	-	Impairment Charge	(1,485)	-
-	-	At end of year	13,344	15,470
		Market licence and supplier listings		
-	-	At beginning of year	1,577	1,577
-	-	Acquisition	10	-
-	-	Amortisation charge	(304)	-
-	-	At end of year	1,283	1,577
-	-		14,627	17,047
		14. INVENTORIES		
-	-	Packaging material	1,798	3,021
-	-	Consumables	684	430
-	-	Whole goods	430	643
-	-	Other	122	138
-	-	Fresh produce	76	412
-	-		3,110	4,644
		Inventory is valued consistent with previous years as set out in accounting policy number 11.		
		15. TRADE AND OTHER RECEIVABLES		
241	521	Trade receivables	28,516	30,170
-	-	Less: Provision for impairment of trade receivables	(5,095)	(4,427)
241	521	Trade receivables - net	23,421	25,743
-	-	Pre-payments	247	147
		Other receivables:		
82	113	Sundry receivables	4,679	7,515
9	11	Deposits	95	130
6	2	South African Revenue Service - Value Added Tax	488	562
-	113	Loans to related parties	13,365	1,527
338	759	Trade and other receivables	42,295	35,624
-	(87)	Less non - current portion	(7,182)	(2,246)
-	-	Staff loans	-	(675)
-	-	Deposits	(13)	(44)
-	(87)	Loans to related parties	(7,169)	(1,527)
338	672	Current portion	35,113	33,378

All non - current receivables are due within five years from the balance sheet date but have no fixed terms of repayment. Interest are charged from time to time on outstanding balances at rates generally linked to prime (currently 10.5%).

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

Company			Consolidated	
2009 R'000	2008 R'000		2009 R'000	2008 R'000
18,251	111	16. CASH AND CASH EQUIVALENTS		
-	-	Bank balances	37,515	33,287
-	-	Cash on hand	251	300
		Deposits at financial institutions	957	104
<u>18,251</u>	<u>111</u>		<u>38,723</u>	<u>33,691</u>
		For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following:		
18,251	111	Bank balances	37,515	33,287
-	-	Cash on hand	251	300
-	(1,935)	Bank overdrafts (note 19)	(611)	(2,451)
(12,000)	(10,000)	Bank accept letters (note 19)	(12,000)	(10,000)
-	-	Deposits at financial institutions	957	104
<u>6,251</u>	<u>(11,824)</u>		<u>26,112</u>	<u>21,240</u>
		Consolidated		
		Burpak Limited's bank overdraft amounts to R 611 325 (2008: R 515 601) and bears interest at prime rate per annum. The bank overdraft is secured by:		
		- First mortgage bond of R3 million over portion 27, farm Evert.		
		- Notarial bond of R2 million over movable assets.		
		- Santam Assurance policy no. 50/63107449304/1 for R11 010 000.		
		Company		
		Unlimited cross suretyship (including session of loan accounts and debtors) was entered into by Subtropico Market Agents (Pty) Ltd, Vleissentraal (Pty) Ltd and Subtropico Ltd. The cross suretyship secures the facilities granted by ABSA Bank Ltd to Subtropico Ltd of which a R22,800,000 overdraft is the most significant. Bank overdrafts bears interest at prime. Bank accept letters of R12,000,000 (2008: R10,000,000) were outstanding at year end and bears interest at prime minus 1.25%.		
		17. SHARE CAPITAL		
		Authorised		
		Ordinary shares		
		3 000 000 shares of no par value		
3,000	3,000	(2008: 3 000 000 shares of no par value)	3,000	3,000
<u>3,000</u>	<u>3,000</u>		<u>3,000</u>	<u>3,000</u>
		Issued		
		Ordinary shares		
		2 535 000 shares of no par value		
17,578	17,578	(2008: 2 535 000 shares of no par value)	17,578	17,578
<u>17,578</u>	<u>17,578</u>		<u>17,578</u>	<u>17,578</u>
		18. DEFERRED INCOME TAX ASSETS/(LIABILITIES)		
		Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 28% (2008: 28%).		
-	-	Deferred income tax assets	2,337	2,389
40	(147)	Deferred income tax liabilities	(3,695)	(4,062)
<u>40</u>	<u>(147)</u>		<u>(1,358)</u>	<u>(1,673)</u>
		The movement on the deferred income tax account is as follows:		
(147)	(371)	Beginning of the year	(1,673)	(2,752)
-	-	Adjustment to opening balance	(82)	(82)
188	28	Temporary differences	216	900
-	-	Revaluation of investment properties	160	82
-	-	Revaluation of leasehold properties	21	10
-	183	Change in intention of investment property held	-	183
-	13	Change in tax rate	-	(14)
<u>40</u>	<u>(147)</u>	At end of year	<u>(1,358)</u>	<u>(1,673)</u>

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

Company		19. BORROWINGS	Consolidated	
2009 R'000	2008 R'000		2009 R'000	2008 R'000
-	-	Non - current		
-	-	Bank borrowings	20,432	23,232
-	-	Finance lease liabilities	634	330
-	-		<u>21,066</u>	<u>23,562</u>
-	1,935	Current		
12,000	10,000	Bank overdrafts (note 16)	611	2,451
-	-	Bank accept letters (note 16)	12,000	10,000
-	-	Bank borrowings	2,782	3,229
-	-	Finance lease liabilities	403	326
12,000	11,935		<u>15,796</u>	<u>16,006</u>
12,000	11,935	Total borrowings	<u>36,862</u>	<u>39,568</u>
		<i>Details of bank borrowings are:</i>		
		Secured		
		<u>Vleissentraal (Pty) Ltd and subsidiaries:</u>		
		<u>Mortgage bonds</u>		
-	-	Total outstanding amount	2,550	2,888
-	-	Less: Current liabilities	(218)	(33)
-	-	Non - current liabilities	<u>2,332</u>	<u>2,855</u>
		<u>Subtropico International (Proprietary) Limited and subsidiaries:</u>		
		<u>Mortgage bonds</u>		
-	-	Total outstanding amount	7,195	7,204
-	-	Less: Current liabilities	-	-
-	-	Non - current liabilities	<u>7,195</u>	<u>7,204</u>
		<u>ABSA mortgage bond registered and secured over Portion 6 of the farm Bronkhorst no.748, Paarl owned by Yabeng Finance (Proprietary) Limited, a subsidiary of Subtropico International (Proprietary) Limited (note 9). The bond bears interest at prime rate minus 0.67% per annum and is repayable monthly. Repayments are interest only for the first 24 months whereafter capital and interest are repaid in 120 equal instalments.</u>		
		<u>The Robinstreet Trust</u>		
-	-	Total outstanding amount	-	1,000
-	-	Less: Current liabilities	-	(1,000)
-	-	Non - current liabilities	<u>-</u>	<u>-</u>

The above loan is unsecured and bears interest at 8% per annum, payable monthly. The final payment date of the capital was 1 September 2009.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

Company			Consolidated	
2009 R'000	2008 R'000		2009 R'000	2008 R'000
		19. BORROWINGS - continued		
		<u>Yabeng Investment Holding Company Limited and subsidiaries:</u>		
		<u>Mortgage bonds</u>		
-	-	Total outstanding amount	13,194	15,369
-	-	Less: Current liabilities	(2,564)	(2,196)
-	-	Non - current liabilities	10,630	13,173
		The mortgage bonds are repayable over various periods the last of which ends in August 2015. They bear interest at fixed and varying rates presently ranging from 9.5% to 13.7%.		
		Long-term borrowings totalling R13 194 267 (2008: R15 369 406) are secured over investment property with a book value of R50 450 000 (2008: R54 139 579). The loans are secured by investment property as reflected in note 9.		
		<u>Schedule of capital repayments:</u>		
-	-	between 1 and 2 years	6,787	6,438
-	-	between 2 and 5 years	5,283	5,552
-	-	over 5 years	1,124	3,379
-	-		13,194	15,369
-	-	Total non - current bank borrowings	20,157	23,232
-	-	Total current bank borrowings	2,782	3,229
-	-	Total bank borrowings	22,939	26,461
		<i>Details of finance lease liabilities:</i>		
		<u>Subtropico International (Proprietary) Limited</u>		
		Gross finance lease liabilities - minimum lease payments:		
-	-	Not later than 1 year	242	147
-	-	Later than 1 year and no later than 5 years	1,025	234
-	-	Future finance charges on finance leases	(597)	(68)
-	-	Present Value of finance lease liabilities:	670	313
-	-	Not later than 1 year	182	107
-	-	Later than 1 year and no later than 5 years	488	206
-	-		670	313
		The loans bear interest at prime and are repayable by a total monthly instalment of R21,584.44 (2008: R12,217.11).		
		The loans are secured over motor vehicles with a book value of R494,313.78 (2008: R106,394.33).		
		<u>Burpak Limited and subsidiaries</u>		
		Gross finance lease liabilities - minimum lease payments:		
-	-	Not later than 1 year	220	215
-	-	Later than 1 year and no later than 5 years	195	178
-	-	Future finance charges on finance leases	(48)	(50)
-	-	Present Value of finance lease liabilities:	367	343
-	-	Not later than 1 year	221	219
-	-	Later than 1 year and no later than 5 years	146	124
-	-		367	343
		The loans bear interest at variable rates between 9.6% and 10.5% and are repayable in monthly instalments of R23,280 (2008: R38,152).		
		The loans are secured over assets with a book value of R298,436 (2008: R535,503).		
-	-	Total non - current finance lease liabilities	634	330
-	-	Total current finance lease liabilities	403	326
-	-	Total finance lease liabilities	1,037	656

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

Company			Consolidated	
2009 R'000	2008 R'000		2009 R'000	2008 R'000
20. TRADE AND OTHER PAYABLES				
-	350	Trade payables	13,513	12,888
159	134	Other payables		
-	-	Dividends and capital repayments payable	159	320
1,122	671	Amounts received in advance	102	-
18	6	Sundry payables	14,189	13,313
-	-	Accrued leave pay	2,654	2,453
-	-	Trust payables	7,867	8,900
-	-	South African Revenue Services - Value Added Tax	1,593	1,612
27	29	Deposits held	216	29
4,036	-	Director's loans	350	200
		Amounts due to related parties	6,443	408
<u>5,362</u>	<u>1,190</u>		<u>47,086</u>	<u>40,123</u>
-	-	Less non - current portion	(236)	(63)
-	-	Amounts due to related parties	(66)	(63)
-	-	Sundry payables	(170)	-
<u>5,362</u>	<u>1,190</u>	Current portion	<u>46,850</u>	<u>40,060</u>
Company				
Amounts due to related parties bears interest at prime minus 3% (currently 7.5%), is unsecured and no repayment terms have been agreed upon.				
Group				
R6 million of the amounts due to related parties bears interest at 10% and repayable simultaneously with R6 million of the loans to related parties (note 15) at a time to be agreed between the parties. The remainder of the balance are interest free, unsecured and no repayment terms have been agreed upon.				
21. PROVISIONS FOR OTHER LIABILITIES AND CHARGES				
-	-	Compensation fund	79	94
-	-	Insurance	469	407
-	-	Advertising cost	765	491
<u>-</u>	<u>-</u>		<u>1,313</u>	<u>992</u>

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

22. CONTINGENT LIABILITIES

	Consolidated	
	2009	2008
	R'000	R'000
Securities and suretyships are set out in the following notes to the financial statements:		
Property, plant and equipment (note 8).		
Investment properties (note 9).		
Investments in subsidiaries (note 10).		
Cash and cash equivalents (note 16).		
Borrowings (note 19).		
Guarantees consist of the following:		
Subtropico Market Agents (Proprietary) Limited has provided the following guarantees:		
Registrar of the Agricultural Produce Board	100	100
Pretoria Fresh Produce Market	200	200
Springs Fresh Produce Market	300	300
East London Fresh Produce Market	75	75
Klerksdorp Fresh Produce Market	50	50
Kimberley Fresh Produce Market	200	200
Cape Town Fresh Produce Market	450	450
Bloemfontein Fresh Produce Market	709	709
Welkom Fresh Produce Market	60	60
Customs and Excise Bond: Excise Rebates	2	2
	<u>2</u>	<u>2</u>

Contingent liabilities consist of the following:

There are contingent liabilities in respect of:

- Potential claim	<u>-</u>	<u>1,500</u>
Cooper Sunset Trading 29 (Proprietary) Limited's claim against Burpak Dagama Avocado Oils (Proprietary) Limited for damages relating to the sale of avocado oil was settled in October 2009 for a net amount of R225,000 (after deduction all outstanding debt owed by the claimant).		
- Potential claim	<u>-</u>	<u>1,948</u>

The South African Revenue Services (SARS) issued Yabeng Investment Holding Company Limited a Secondary Tax on Companies ("STC") assessment on 15 January 2004 claiming R1,948,567 including interest of R507,285 in respect of part of the reduction in the company's share premium in 2001. Yabeng Investment Holding Company Limited appealed against the assessment to the tax appeal committee. An agreement was reached with SARS in April 2010 and the outstanding STC to the amount of R1,389,204 paid in full. Provision for the liability has been made in the group's tax charge at year end.

23. CAPITAL COMMITMENTS

Neither the company nor any of its subsidiaries had any significant commitments for capital expenditure at 31 December 2009 (2008: Rnil).

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Company			Consolidated	
2009	2008		2009	2008
R'000	R'000	24. CASH FLOW FROM OPERATIONS	R'000	R'000
8,318	9,322	Profit before income tax	20,051	19,205
-	-	Adjusted for:		
(4,591)	(3,639)	Share of profit of associates	4	13
2,045	833	Interest received	(5,621)	(4,902)
227	225	Interest paid	5,610	5,664
(2)	(30)	Depreciation charge	5,141	4,751
(9,243)	(9,205)	Profit on disposal of property, plant and equipment and investment properties	(1,579)	(341)
-	-	Profit from investment activities	(2,945)	(1,636)
-	-	Amortisation of intangible assets	945	-
-	-	Impairment of intangible assets	1,485	-
-	-	Movements in current assets and liabilities		
-	-	Decrease in inventories	1,534	5,795
422	78	(Increase)/decrease in trade and other receivables	(6,671)	(2,249)
		(Decrease)/increase in trade and other payables and provisions (excluding dividends payable)		
4,172	(5,717)		7,284	(4,776)
<u>1,347</u>	<u>(8,133)</u>	Cash flow from operations	<u>25,238</u>	<u>21,524</u>

25. RELATED PARTIES

Company

Subtropico Market Agents (Proprietary) Limited, Subtropico Johannesburg (Proprietary) Limited, Subtropico International (Proprietary) Limited, Yabeng Finance (Proprietary) Limited, Subtropico Farm Fresh (Proprietary) Limited, Spes Bona Market Agency (Proprietary) Limited, Citifresh Market Agents (Proprietary) Limited, Protea Market Agents (Proprietary) Limited, Burpak Limited, Burpak Dagama Avocado Oils (Proprietary) Limited, Earlyworks 216 (Proprietary) Limited, Agri Bid Auctions and Sales (Proprietary) Limited, Zedpro (Proprietary) Limited, Yabeng Investment Holding Company Limited, Yabeng Property Investments (Proprietary) Limited, Calwest (Proprietary) Limited, Country Escapes (Proprietary) Limited, Game Investment Holdings (Proprietary) Limited, Pen Property Holdings (Proprietary) Limited, Madikwe River Lodge (Proprietary) Limited, Madikwe River Lodge Management (Proprietary) Limited, Mount Sheba Property (Proprietary) Limited, Subtropico Plaasvars Produkte (Proprietary) Limited, Vleissentraal (Proprietary) Limited, Vleissentraal Bethlehem (Proprietary) Limited, Vleissentraal Bloemfontein (Proprietary) Limited, Vleissentraal Bosveld (Proprietary) Limited, Vleissentraal Ermelo (Proprietary) Limited and Vleissentraal KZN (Proprietary) Limited are subsidiaries of Subtropico Limited.

Both Constantia Ondernemings Limited and Natsure Limited are entities in which the executive director of Subtropico Limited has an interest.

	Company	
	2009	2008
	R'000	R'000
The following related party transactions have been entered into:		
Dividend income:		
Subtropico Market Agents (Proprietary) Limited	8,431	5,839
Subtropico International (Proprietary) Limited	-	180
Yabeng Investment Holding Company Limited	-	704
Burpak Limited	115	169
	<u>8,546</u>	<u>6,892</u>
Rental income:		
Subtropico Market Agents (Proprietary) Limited	281	281
Constantia Ondernemings Limited	61	66
	<u>342</u>	<u>347</u>

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

25. RELATED PARTIES - continued

Interest received:

Subtropico International (Proprietary) Limited	257	179
Vitamech (Proprietary) Limited	-	44
Agri Bid Auctions and Sales (Proprietary) Limited	-	16
Subtropico Plaasvars Produkte (Proprietary) Limited	316	231
Vleissentraal (Proprietary) Limited	3,787	2,887
Natsure Limited	11	-
	4,371	3,357

Interest paid:

Burpak Dagama Avocado Oils (Proprietary) Limited	133	137
Subtropico Market Agents (Proprietary) Limited	287	350
	420	487

Managerial fees and other income:

Zedpro (Proprietary) Limited	92	91
	92	91

Loans to/(from) subsidiaries - See note 10, 15 and 20

Group

	Consolidated	
	2009 R'000	2008 R'000
Directors remuneration		
Agri Bid Auctions and Sales (Proprietary) Limited	91	273
Subtropico Limited	1,627	1,326
Subtropico Market Agents (Proprietary) Limited	827	726
Subtropico Plaasvars Produkte (Proprietary) Limited	442	459
Zedpro (Proprietary) Limited	29	45
Burpak Limited	42	62
Subtropico International (Proprietary) Limited	988	1,113
Vleissentraal (Proprietary) Limited and subsidiaries	10,130	8,419
	14,176	12,423

26. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company and group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Investment property

The company and group recognise its investment property at fair value. Determining the fair values are subject to valuations and assumptions made by the board based on expected market conditions.

27. EVENTS AFTER THE BALANCE SHEET DATE

No other matters occurring between the balance sheet date and the date of approval of the financial statements, which would have a material affect upon the financial affairs of the company and the group have been noted.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES NOTICE OF MEETING TO SHAREHOLDERS

SUBTROPICO BEPERK EN SY FILIALE KENNISGEWING VAN AANDEELHOUERSVERGADERING

The 17th Annual General Meeting of the Company will be held on Friday 20 August 2010 at 10h00 in No 5 Parkland Building, 229 Bronkhorst Street, New Muckleneuk, Pretoria to:

1. Consider and approve the annual financial statements for the year ended 31 December 2009.
2. Determine the directors' remuneration for the past financial year.
3. Elect directors in the place of Messrs IN Coulthard, JS Pieterse and A Vos who retire by rotation and Mr BP Botha who retires in terms of the articles of association. All, being eligible, offer themselves for re-election.
4. Transact such other business as may be transacted at the Annual General Meeting.

A member who is entitled to be present at the General Meeting and to vote, is entitled to appoint a proxy to be present on his/her behalf, to speak and to vote on a poll. Such Proxy does not have to be a member of the company.

BY ORDER OF THE BOARD OF DIRECTORS

MH HODGSON
Secretary

Date: 5 July 2010

Business address and Registered office:

No 5 Parkland Building
229 Bronkhorst Street
New Muckleneuk
Pretoria
0181

Die 17de Algemene Jaarvergadering van die maatskappy sal op Vrydag, 20 Augustus 2010 om 10h00 te Parkland Gebou Nr 5, Bronkhorststraat 229, New Muckleneuk, Pretoria gehou word om:

1. Die finansiële jaarstate vir die jaar geëindig 31 Desember 2009 te oorweeg en goed te keur.
2. Die direksievergoeding vir die afgelope finansiële jaar vas te stel.
3. Direkteure te kies in die plek van Mre IN Coulthard, JS Pieterse en A Vos wat volgens rotasie uittree en Mnr BP Botha wat kragtens die bepalings van die statute uittree, welke persone almal verkiesbaar is en hulself herkiesbaar stel.
4. Enige ander besigheid te verrig wat op 'n Algemene Jaarvergadering verrig mag word.

'n Lid wat geregtig is om die vergadering by te woon en te stem, het die reg om 'n gevolmagtigde te benoem om die vergadering in sy plek by te woon, te praat en by 'n stemming by wyse van stembriefies te stem. So 'n gevolmagtigde hoef nie 'n lid van die maatskappy te wees nie.

IN OPDRAG VAN DIE DIREKSIE

MH HODGSON
Sekretaris

Datum: 5 Julie 2010

Besigheidsadres en Geregistreerde kantoor:

Parkland Gebou Nr 5
Bronkhorststraat 229
New Muckleneuk
Pretoria
0181

SUBTROPICO LIMITED

(Reg. No. 1993/000220/06)

PROXY

I, _____ (Name in full)

Being a member of **SUBTROPICO LIMITED**, hereby appoint

Or failing him the Chairman of the Board of Directors or failing him the Chairman of the meeting as my proxy to vote for me and on my behalf at the annual general meeting of the company to be held on 20 August 2010 and at any adjournment thereof as follows:

	FOR	AGAINST	ABSTAIN
Resolution (1) Annual Financial Statements			
Resolution (2) Directors' remuneration			
Resolution(3) Election of Directors			

Unless otherwise instructed above, my proxy may vote as he thinks fit.

SIGNED THIS _____ **DAY OF** _____ **2010**

SIGNATURE _____

ADDRESS _____

NB:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and speak and on a poll vote in his stead. A proxy need not be a member of the company.
2. The proxy form, duly signed and completed, must reach the office of the company or that of the secretary not later than forty-eight hours before the time set for the meeting.

SUBTROPICO BEPERK

(Reg. No. 1993/000220/06)

VOLMAG

Ek, _____ (Volle naam)

Synde lid van **SUBTROPICO BEPERK**, stel hiermee aan

Of in sy afwesigheid die Voorsitter van die Direksie of in sy afwesigheid die Voorsitter van die vergadering as my gevolmagtigde om namens en ten behoeve van my soos volg te stem op die Algemene Jaarvergadering wat gehou sal word op 20 Augustus 2010 en op enige verdagings daarvan:

	VIR	TEEN	BUIITE STEMMING
Besluit (1) Finansiële Jaarstate			
Besluit (2) Direkteursvergoeding			
Besluit (3) Verkiesing van direkteure			

Tensy hierbo anders opgedra, kan my gevolmagtigde stem soos hy goeddink.

GETEKEN HIERDIE _____ DAG VAN _____ 2010

HANDTEKENING _____

ADRES _____

LET WEL:

1. 'n Lid wat geregtig is om die vergadering by te woon en te stem het die reg om 'n gevolmagtigde te benoem om die vergadering in sy plek by te woon en te praat en by 'n stemming met stembriefies te stem. 'n Gevolmagtigde hoef nie 'n lid van die maatskappy te wees nie.
2. Hierdie volmagvorm, behoorlik voltooi en onderteken, moet die kantoor van die maatskappy of die sekretaris bereik, nie later as agt-en-veertig uur voor die tyd bepaal vir die hou van die vergadering.