



ANNUAL REPORT 2010

ANNUAL REPORT

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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SUBTROPICO LIMITED AND ITS SUBSIDIARIES
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2010

Registration number: 1993/000220/06

Registered address: Parkland No.5
 229 Bronkhorst Street
 New Muckleneuk
 Pretoria

Postal address: P O Box 1546
 Brooklyn Square
 0075

Group Auditors: MVB - Pretoria

Other Auditors: Boshoff Visser Paarl
 PricewaterhouseCoopers Inc/Ing - Pretoria, Cape Town/Kaapstad, Bloemfontein, Polokwane
 KPMG Inc/Ing - Nelspruit

Attorneys: Willemse, Benadé, Venter and/en Davis

Group Bankers: ABSA Bank

Diary:

Annual report: 4 July 2011

(A summary of the Annual report is available in Afrikaans on request)

Final dividend (payable): 30 June 2011

Annual general meeting: 29 July 2011

Interim results: 30 September 2011

Analysis of shareholding:

| | Number of Shareholders Aantal Aandeelhouders | % of Total % van Totaal | Shares Held Aandele Gehou | % of Total % van Totaal |
|---------------------|---|----------------------------|------------------------------|----------------------------|
| 1 - 500 | 91 | 34.08% | 17,471 | 0.69% |
| 501 - 1 000 | 33 | 12.36% | 24,993 | 0.99% |
| 1 001 - 5 000 | 103 | 38.58% | 254,871 | 10.05% |
| 5 001 - 10 000 | 14 | 5.24% | 92,346 | 3.64% |
| 10 001 - 50 000 | 20 | 7.49% | 387,585 | 15.29% |
| OVER/MEER AS 50 000 | 6 | 2.25% | 1,757,734 | 69.34% |
| | 267 | 100% | 2,535,000 | 100% |

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
GROUP FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2010

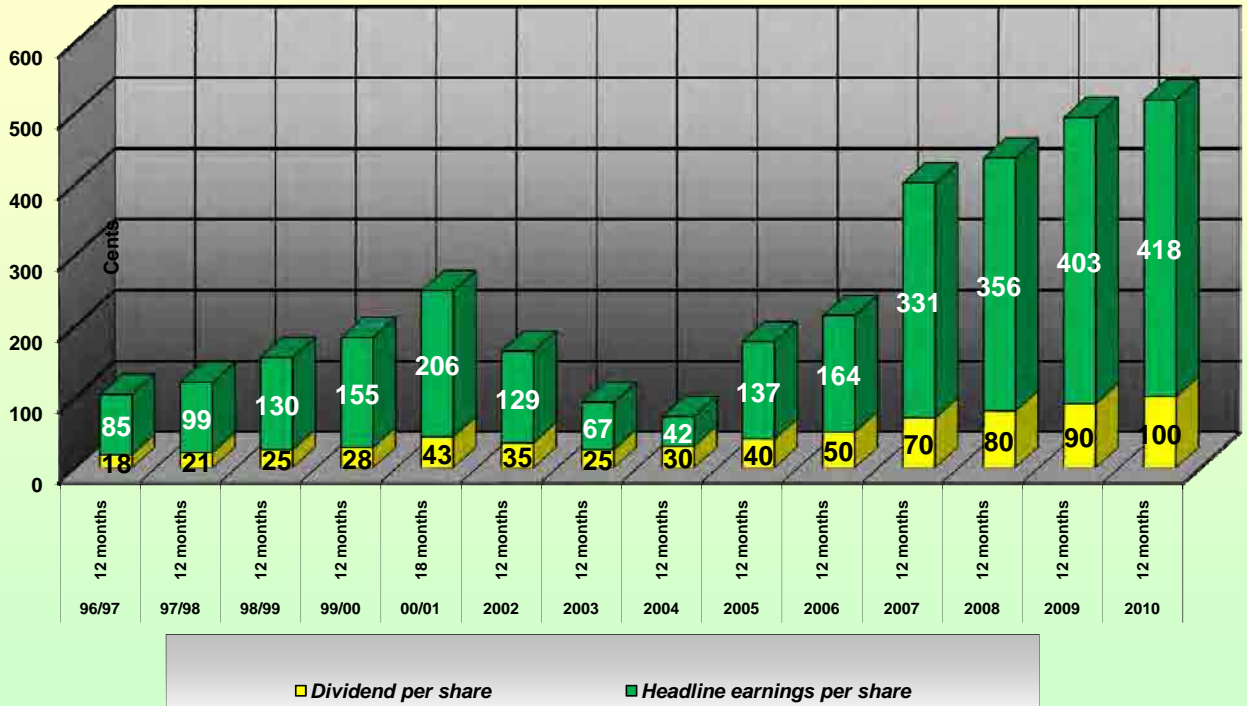
| | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|---------|---------|---------|---------|---------|
| Revenue (R'000) | 269,040 | 268,282 | 255,544 | 236,494 | 128,440 |
| Profit before tax (R'000) | 10,280 | 20,051 | 19,205 | 39,945 | 16,458 |
| Headline earnings before tax (R'000) | 18,565 | 17,480 | 17,618 | 16,684 | 8,484 |
| Headline earnings (R'000) | 10,595 | 10,218 | 9,036 | 8,371 | 3,501 |
| Headline earnings per share (cent) | 418 | 403 | 356 | 331 | 164 |
| Dividend per share (cent) | | | | | |
| - Paid | 90 | 80 | 70 | 50 | 40 |
| - Paid (Special) | - | - | - | - | 84 |
| - Reserve | 100 | 90 | 80 | 70 | 50 |
| Dividend yield (%) | 4.26% | 3.91% | 4.00% | 4.38% | 5.00% |
| Net asset value per share (rand) | 35.63 | 33.75 | 30.29 | 27.11 | 20.51 |
| Tangible net asset value per share (rand) | 30.45 | 27.98 | 23.57 | 20.73 | 19.60 |
| Shares last traded at (rand) per share | 23.50 | 23.01 | 20.01 | 16.00 | 10.00 |
| Return on Equity (%) | 12.05 | 12.59 | 12.42 | 14.13 | 8.12 |
| Long term debt/Equity ratio ("Gearing")(%) | 27.11 | 43.08 | 51.53 | 52.36 | 46.68 |

| | | |
|---|---|---|
| Increase in headline earnings per share 3.69% | Dividend per ordinary share R1.00 | Increase in dividend to ordinary shareholders 11.1% |
|---|---|---|

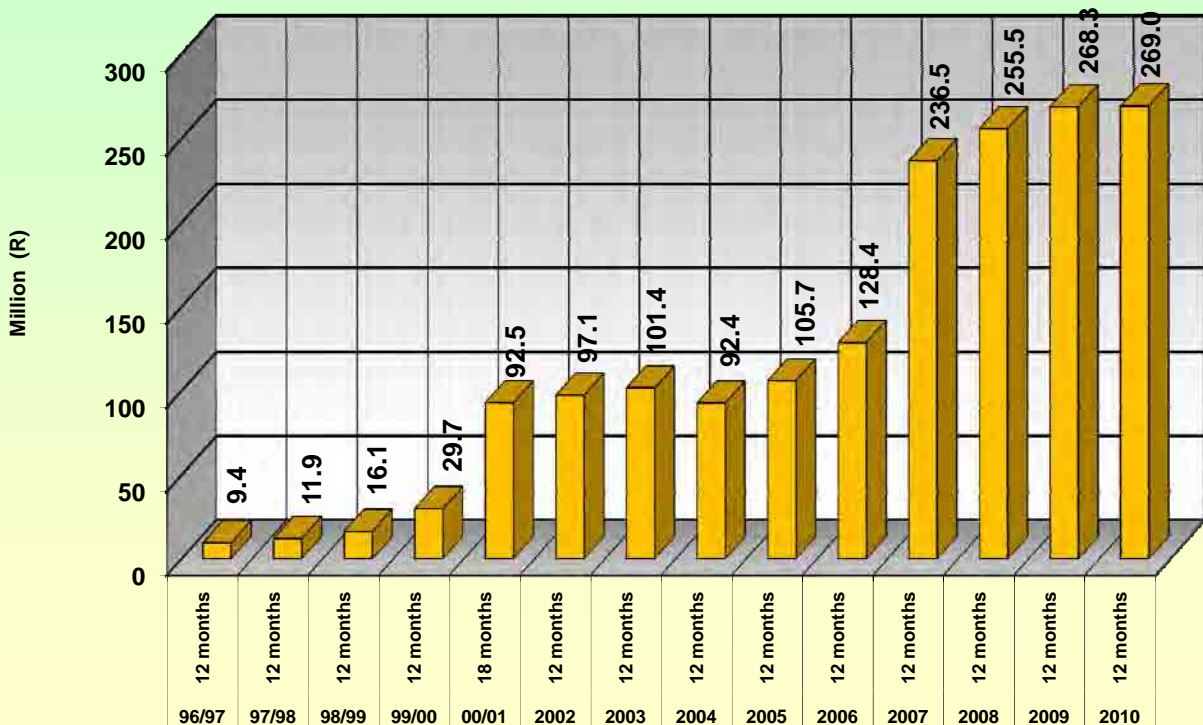
| | | |
|--|--|--|
| Net asset value per share R35.63 | Equity attributable to ordinary shareholders R90.3 M | Return on Equity 12.05% <small>(headline earnings/average equity)</small> |
|--|--|--|

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
GROUP FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2010

SHARE PERFORMANCE: 1996 - 2010



GROUP TURNOVER: 1996 - 2010



SUBTROPICO LIMITED AND ITS SUBSIDIARIES

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

INTRODUCTION

It is a privilege to report on the group's activities for the year ended 31 December 2010.

The demand for food, and therefore agricultural commodities, will continue to increase despite the temporary setbacks suffered as a result of the economic recession and curbed consumer spending.

The fundamentals remain in place for strong commodity prices despite the volatility of commodity prices and volumes caused by seasonality and the unpredictable characteristics of agriculture in general.

INVESTMENT STRATEGY

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

Subtropico focuses on investments in the services sector and is therefore not restricted to investments in agriculture only. We will continue to search for investment opportunities with the following qualities:

- (1) Established businesses with strategic or synergistic appeal.
- (2) Significant purchases.
- (3) Companies that have demonstrated a consistent earnings history and/or have earnings growth potential.
- (4) Businesses earning good return on equity.
- (5) Motivated management in place.
- (6) Businesses that we understand with sound business models in place.

1. OPERATIONAL REVIEW

Revenue

The value of goods sold by commission agents on behalf of producers amounted to +/- R2.88 billion for 2010 (2009: R2.69 billion), which consisted of fresh produce of R0.98 billion (2009: R0.96 billion) and livestock of R1.90 billion (2009: R1.73 billion) respectively.

Group turnover of R269.0 million was achieved (2009: R268.3 million).

Headline earnings

The consolidated pre-tax profit for the year amounted to R10.3 million (2009: R20.1 million). The decrease in consolidated pre-tax profit can be mainly attributed to the R10 million fair value impairment of Yabeng's investment property portfolio as sold to Aveo Risk Services during the year. Recurring headline earnings per share increased from 403 to 418 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:

| | 2010 R'000 | Contribution | 2009 R'000 | Contribution | Increase/ (decrease) |
|----------------------------------|---------------|--------------|---------------|--------------|-------------------------|
| Subtropico Limited (Head office) | (4,703) | | (4,532) | | -3.8% |
| Fresh Produce Market Agents | 7,019 | 45.9% | 7,876 | 53.4% | -10.9% |
| Live stock Agents | 7,824 | 51.1% | 6,562 | 44.5% | 19.2% |
| Value add | 92 | 0.6% | (1,113) | -7.5% | 108.2% |
| Property Investments | 909 | 5.9% | 1,490 | 10.1% | -39.0% |
| Agricultural equipment | (546) | -3.6% | (65) | -0.4% | -735.7% |
| Total | 10,595 | 100% | 10,218 | 100% | 3.7% |

Shareholders' value

The ordinary shareholders' interest has now reached R90.3 million (2009: R85.6 million).

Shares traded at R23.50 per share at year end (2009: R23.01) resulting in a market capitalisation of R59.6 million (2009: R58.3 million).

Subtropico has paid a dividend to shareholders in each of the past 15 years. The dividend of 100 cents per share proposed for the year (payable 30 June 2011) 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 R35.63 and the tangible net asset value per share of R30.45 at year end shows that the recent share price of R23.50 per share traded at a discount of 34.1% and 22.8% (2009: 31.8% and 17.8%) to the net asset values respectively.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
CHAIRMAN'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010

2. SUBSIDIARIES AND RELATED INVESTMENTS

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

2.1 Market agency business

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

The value of produce handled on behalf of producers increased on a year-to-year basis by 2.11% to R978 million (2009: R957.8 million).

Commission to the value of R73.0 million (2009: R70.7 million), or a growth of 3.2%, was earned by our fresh produce market agencies.

Average commission earned as a percentage of the value of produce sold amounted to 7.46% (2009: 7.38%).

The sales comparisons of produce were:

| FRUIT | % increase/ (decrease) | 2010 R | 2009 R | 2008 R | 2007 R | 2006 R |
|-----------------------------------|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Bananas | 5.5% | 200 963 824 | 190 539 750 | 168 167 581 | 139 874 050 | 129 855 179 |
| Apples | -2.9% | 72 884 269 | 75 086 789 | 69 533 299 | 70 715 766 | 59 148 446 |
| Citrus | -17.3% | 31 616 147 | 38 214 283 | 34 304 875 | 32 423 132 | 31 496 795 |
| Stone fruit | -12.9% | 34 643 288 | 39 758 765 | 36 209 589 | 33 381 661 | 32 380 209 |
| Subtropical fruit | -4.7% | 65 842 895 | 69 119 756 | 48 201 220 | 62 334 846 | 57 834 583 |
| Other fruit cultivars | -2.3% | 45 154 760 | 46 219 262 | 64 648 526 | 35 450 934 | 32 455 069 |
| TOTAL | -1.7% | 451 105 182 | 458 938 605 | 421 065 089 | 374 180 389 | 343 170 281 |
| VEGETABLES | | | | | | |
| Potatoes | -5.0% | 196 472 639 | 206 862 897 | 177 318 610 | 194 205 279 | 144 167 706 |
| Onions | 2.5% | 71 320 120 | 69 607 628 | 57 416 907 | 68 315 940 | 38 214 692 |
| Pumpkin cultivars | 6.2% | 47 810 557 | 45 016 897 | 33 477 012 | 34 736 772 | 50 238 477 |
| Cabbage cultivars | -6.5% | 21 021 690 | 22 472 626 | 12 853 290 | 12 409 265 | 9 698 457 |
| Leaf cultivars (spinach, lettuce) | 26.3% | 13 317 735 | 10 546 978 | 7 568 802 | 12 083 785 | 7 015 964 |
| Root cultivars | 20.9% | 49 306 289 | 40 781 458 | 27 911 459 | 29 804 390 | 25 304 472 |
| Fruit vegetables | 61.4% | 24 658 259 | 15 277 844 | 12 429 072 | 25 408 181 | 29 068 351 |
| Other vegetable cultivars | 17.0% | 102 639 226 | 87 725 366 | 72 322 811 | 52 166 801 | 21 184 794 |
| TOTAL | 5.7% | 526 546 514 | 498 291 693 | 401 297 965 | 429 130 413 | 324 892 913 |
| GRAND TOTAL (excl.pallets) | 2.1% | 977 651 696 | 957 230 298 | 822 363 054 | 803 310 802 | 668 063 194 |

The marginal increase in sales resulted from relatively stable performances across all markets with Pretoria, Cape Town, East London, Klerksdorp, Springs, Kimberley, and Pietermaritzburg performing above average but Johannesburg, Bloemfontein, Vereeniging, Welkom and Witbank experiencing more challenging trading conditions.

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.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
CHAIRMAN'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010

2. SUBSIDIARIES AND RELATED INVESTMENTS - continued

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 96.8% of the original investment in 44 months. The return on investment has exceeded our expectations and we are of the opinion that we will recover our full investment before the end of January 2011.

Commission to the value of R98.5 million (2009: R87.8 million), or a growth of 12.2%, was earned by our live stock businesses during the year.

Livestock and other goods auctioned increased by 10.2% to R1.9 billion (2009: R1.73 billion) resulting in commission of R98.5 million (2009: R87.8 million) being earned at an average rate of 5.18% (2009: 5.09%). The value of livestock and other goods sold per region can be broken down as follow:

| | 2010 | | 2009 | |
|---|---------------|---------------|---------------|-------------|
| | R million | % of total | R million | % of total |
| Vleissentraal Bosveld | 657.8 | 34.6% | 593.3 | 34.4% |
| Vleissentraal Bloemfontein (Including Klerksdorp) | 458.3 | 24.1% | 431.4 | 25.0% |
| Vleissentraal Ermelo | 314.0 | 16.5% | 267.4 | 15.5% |
| Vleissentraal Bethlehem | 282.0 | 14.8% | 265.5 | 15.4% |
| Vleissentraal KZN | 188.5 | 9.9% | 167.4 | 9.7% |
| | <u>1900.6</u> | <u>100.0%</u> | <u>1725.0</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. The opportunity to expand unfortunately coincided with the recession and resulted in added costs, a decrease in turnover, and the liquidation of key customers. During July 2010 a comprehensive business overview and cost analysis was performed resulting in management's decision to close the retail department. The restructuring resulted in the unfortunate yet unavoidable retrenchment of 30 staff members. The lease contract at Mega Park was cancelled and the wholesale and processing department relocated to low cost warehouse premises in Hilton.

For the 2010 financial year Plaasvars generated a turnover of R20.1 million (2009: R25.2 million) and a pre-tax loss of R2,4 million (2009: R2,1 million). It was estimated that the discontinued operations of Plaasvars contributed R5.6 million to turnover and R2.3 million to pre-tax losses.

The business is expected to reduce losses significantly in 2011 and needs to grow the existing wholesale and processing sections of the business in order to return to profitability. A supplier agreement was signed with the Boxer Group (a subsidiary of Pick 'n Pay) in December 2010 which is expected to increase the sales of continued operations significantly during 2011.

2.4 Burpak Limited and it's subsidiary

Burpak continue to provide services in an environment where farming production has shrunk after being redistributed to communities as part of government's land reform policies. There also appears to be an inability by government to recapitalise their farms to their original production capacity. Land reform has had an especially severe impact on the quality and value of the bananas sourced from these communities by Burpak.

During the past year the avocado packing facility operations were managed by a committee of avocado growers with Burpak providing administrative and financial support. Rentals were agreed for the leasing of the packhouse and equipment. The management committee performed very well during the year by ensuring that the packhouse complies with and exceeds the various stakeholder's exporting requirements. The packhouse is however a volume driven business with good profits shown in years of high volume and in down years the results reflect this falloff. As Burpak was not responsible for packing the avocados we will not report on the volumes packed.

For the 2010 financial year Burpak generated a turnover of R33.4 million (2009: R32.0 million) and a pre-tax consolidated loss of R127,450 (2009: R308,170 profit). The following volumes were packed during the past three seasons:

| | 2010 | 2009 | 2008 |
|--------------------------------------|-----------|-----------|-----------|
| Banana cartons to markets | 58,950 | 107,674 | 104,163 |
| Banana cartons ripened | 180,579 | 141,273 | 189,079 |
| Litchis (kg) | 66,123 | 143,172 | 68,533 |
| Carton box manufacturing unit | 1,834,321 | 2,035,664 | 2,440,179 |

The capital reduction and voluntary liquidation exercise of Burpak Da Gama will be completed in 2011.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

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 R6.8 million (2009: R6.0 million). Zedpro made a profit before tax of R96,816 (2009: R54,083) for the financial year.

Land claims in the Levubu area are 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 R26.6 million (2009: R27.5 million) for the year ended 31 December 2010. The profit before tax amounted to R532,984 for the year (2009: R920,470). The comparative profit before tax figure however includes a non recurring profit of R1.0 million from the sale of Potbelly Pantry in 2009 which therefore highlights a much improved operating performance in 2010. The improved performance can be attributed to increased gross profit margins, the availability of reasonably priced vegetables for a larger portion of the year and improved relations with retailers.

Subtropico International's management is currently increasing their production capacity and capability by adding a high care unit that will vastly improve their operating efficiency and add to their existing product offering. Management is also investigating various exciting opportunities to expand their business and help them to become innovation leaders in their industry.

2.7 Yabeng Investment Holding Company Limited

The conclusion of the sale of Pen Property Holdings (Proprietary) Limited's investment property portfolio to Aveo Risk Services (Proprietary) Limited (as explained in the notification to the shareholders dated 30 August 2010) will result in Subtropico Limited holding an effective interest of 35% in Natsure Limited (a short term niche insurer) via Yabeng Investment Holding Company Limited. Subtropico will still hold a 35% effective interest (previously 50%) in the investment property portfolio sold. The investment property portfolio is now being held and actively managed and grown by Aveo (a wholly owned subsidiary of Natsure).

The Yabeng group made a loss before tax of R7.7 million (2009: R4.1 million profit). The loss includes a R10 million fair value impairment of Pen Property Holdings (Proprietary) Limited's investment property portfolio prior to sale.

Pen Property Holdings (Proprietary) Limited made an operating profit before tax for the year of R2.2 million (2009: R3.6 million). This excludes the fair value (impairment)/uplift of the investment properties of (R9,996,286) (2009: R348,761). The benefit of lower interest rates was offset by an increase in vacancy rates, municipal costs and repairs and maintenance which all resulted in a decrease in profitability.

The 70% effective interest in Madikwe River Lodge (Proprietary) Limited was sold to Dirapeng (Proprietary) Limited on the 1st of December 2010 for a net consideration of R4.9 million. Madikwe River Game Lodge made a loss before tax of R1,985,405 for the year (2009: R572,768 loss) which includes major repairs and maintenance of R756,509 (2009: R652,313). The decrease in profitability can be attributed to lower room occupancy than expected as a result of major repairs and maintenance of rooms, increased competition in the reserve and a general slowdown of customer spending on travel and leisure.

3. CORPORATE GOVERNANCE

Subtropico and its directors reaffirm their commitment to the principles of openness, integrity and accountability and to providing timely, 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 2010 the board comprises three executive directors within the group and six non-executive directors (of which two were independent).

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

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

4. BROAD BASED BLACK ECONOMIC EMPOWERMENT ("BBBEE")

In South Africa there is increasing pressure on business to fast-track BBBEE 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.

During 2010 Subtropico Limited obtained its first BBBEE verification. Although a non-compliant rating was achieved, we feel confident that this rating will be significantly improved on during the 2011 verification.

We will continue to find ways to improve our BEE credentials in 2011.

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 is far less exposed to this slow down than the industries that surround us.

The demand for livestock has remained strong in the first quarter of 2011 and sales of fresh produce were in line with budget. The value-add segment of our business is expected to experience a better 2011. We also look forward to report on Natsure Limited's first set of results as an associate that will be proportionately consolidated into the Subtropico Group in 2011.

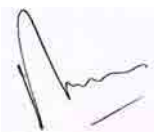
Subtropico Limited is now well positioned to undertake further corporate action and will continue to investigate business opportunities within the services industry. Unless unforeseen circumstances arise within the agricultural sector, the profitability of the group is expected to improve during 2011.

6. DIVIDENDS

Subtropico Limited paid a dividend of 90 cents per share on 30 June 2010. The board declared a dividend of 100 cents per share payable on 30 June 2011.

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 first 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 2010

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 40 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 has 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, MVB, 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 MVB is presented on page 11.

The financial statements were approved by the board of directors on 4 July 2011 and are signed on its behalf by:



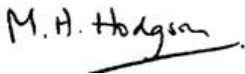
A F OBERHOLZER
Chairman
4 July 2011



B P BOTHA
Executive Director
4 July 2011

CERTIFICATE BY THE COMPANY SECRETARY

In my opinion as company secretary, I hereby confirm, in terms of the Companies Act of South Africa, that for the year ended 31 December 2010, 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
REGISTERED ACCOUNTANTS AND AUDITORS

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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 2010, 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 40.

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 2010, 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
4 July 2011

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010.

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 areas.

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 Plasvars 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 2010

2. FINANCIAL RESULTS

The consolidated profit for the year attributable to equity holders of the company, amounted to R3.9 million (2009: R10.6 million). The reconciliation between profit before tax and recurring headline earnings per share is set out in note 7 of the financial statements.

The turnover of the group increased by 0.28% from R268.3 million to R269.0 million.

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

| | % of Total Turnover | Year ended 2010 R'000 | Year ended 2009 R'000 | Year ended 2008 R'000 |
|--|------------------------------------|--|--|--|
| Subtropico Limited | | 54 | 61 | 72 |
| <u>Fresh Produce Market Agents</u> | 26.9% | 72,262 | 70,599 | 61,018 |
| Subtropico Market Agents (Proprietary) Limited | | 50,417 | 48,598 | 42,062 |
| Subtropico Johannesburg (Proprietary) Limited | | 10,459 | 9,408 | 9,174 |
| Spes Bona Market Agency (Proprietary) Limited | | 6,759 | 6,490 | 3,149 |
| Citifresh Market Agents (Proprietary) Limited | | 4,627 | 6,103 | 6,633 |
| <u>Livestock Agents</u> | 36.6% | 98,485 | 87,824 | 76,286 |
| Vleissentraal (Proprietary) Limited and subsidiaries | | 98,485 | 87,824 | 76,286 |
| <u>Value add (Processing, Packing, Wholesale and Retail of fresh produce)</u> | 30.5% | 82,179 | 91,192 | 95,498 |
| Zedpro (Proprietary) Limited | | 6,768 | 5,997 | 2,896 |
| Burpak Limited and subsidiaries | | 33,433 | 32,024 | 33,161 |
| Subtropico International (Proprietary) Limited and subsidiaries | | 27,467 | 27,939 | 30,654 |
| Subtropico Plaasvars Produkte (Proprietary) Limited | | 14,511 | 25,232 | 28,787 |
| <u>Agricultural equipment (parts and whole goods)</u> | 0.0% | - | 19 | 3,914 |
| Agri Bid Auctions and Sales (Proprietary) Limited | | - | 19 | 3,914 |
| <u>Property Investments</u> | 6.0% | 16,060 | 18,587 | 18,756 |
| Madikwe River Lodge (Proprietary) Limited | | 6,418 | 8,768 | 8,800 |
| Pen Property Holdings (Proprietary) Limited | | 9,642 | 9,819 | 9,956 |
| | | 269,040 | 268,282 | 255,544 |

Please note that the fresh produce and livestock revenue consists of commission income. Further details of the financial results are set out in the attached financial statements.

3. DIVIDENDS

A dividend of 90 cents per share was declared and paid during the year (2009: 80 cents per share).

Provision has been made for a dividend of 100 cents per share (2009: 90 cents per share) out of current profits to be paid in the 2011 financial year. The provision has been included in the statement of financial position as a dividend reserve.

4. SHARE CAPITAL

The authorised share capital is 3 000 000 (2009: 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 2010

5. DIRECTORS AND SECRETARY

The present directors of the company are:

| | | |
|---|---------------------------|--|
| A F Oberholzer | (Chairman) | ¹ Members of Audit Committee |
| B P Botha | (Chief Executive Officer) | ² Members of Remuneration Committee |
| B P Botha (appointed 5 July 2010) | (Chief Financial Officer) | |
| I N Coulthard | | |
| M A F Moja ¹ | | |
| J S Pieterse ² | | |
| C F P van Dyk ² | | |
| C J van Dyk (appointed 12 January 2011) | | |
| S Vil-Nkomo ¹ | | |
| A Vos | | |

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

Business address:

No. 5 Parkland
229 Bronkhorst Street
New Muckleneuk
Pretoria
0181

Postal address:

P O Box 1546
Brooklyn Square
Pretoria
0075
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 statement of financial position 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
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

| Company | | | Consolidated | |
|--|--------|-------|--------------|---------|
| 2010 | 2009 | | 2010 | 2009 |
| R'000 | R'000 | Notes | R'000 | R'000 |
| ASSETS | | | | |
| 51,552 | 45,360 | | 71,262 | 141,177 |
| Non-current assets | | | | |
| 485 | 145 | 8 | 25,967 | 27,261 |
| 2,500 | 2,360 | 9 | 16,837 | 85,583 |
| 47,009 | 42,632 | 10 | - | - |
| - | - | 11 | 1,628 | 1,642 |
| 1,441 | 183 | 12 | 5,649 | 2,545 |
| - | - | 13 | 13,135 | 14,627 |
| 117 | 40 | 18 | 1,925 | 2,337 |
| - | - | 15 | 6,121 | 7,182 |
| 4,775 | 18,801 | | 132,905 | 80,121 |
| Current assets | | | | |
| - | 212 | | 1,507 | 3,175 |
| - | - | 12 | 1,036 | - |
| - | - | 14 | 5,749 | 3,110 |
| 242 | 338 | 15 | 102,183 | 35,113 |
| 4,533 | 18,251 | 16 | 22,430 | 38,723 |
| 56,326 | 64,161 | | 204,167 | 221,298 |
| TOTAL ASSETS | | | | |
| EQUITY | | | | |
| Capital and reserves attributable to equity holders | | | | |
| 48,989 | 46,799 | | 90,326 | 85,559 |
| 17,578 | 17,578 | 17 | 17,578 | 17,578 |
| 2,535 | 2,282 | | 2,535 | 2,282 |
| - | - | | 2,759 | 381 |
| 28,876 | 26,939 | | 67,454 | 65,318 |
| - | - | | 38,761 | 45,045 |
| 48,989 | 46,799 | | 129,087 | 130,604 |
| TOTAL EQUITY | | | | |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| - | - | | 12,572 | 24,997 |
| - | - | 18 | 2,419 | 3,695 |
| - | - | 19 | 10,089 | 21,066 |
| - | - | 20 | 64 | 236 |
| 7,337 | 17,362 | | 62,508 | 65,697 |
| Current liabilities | | | | |
| 7,337 | 5,362 | 20 | 45,939 | 46,850 |
| - | - | 21 | 1,418 | 1,313 |
| - | 12,000 | 19 | 14,401 | 15,796 |
| - | - | | 750 | 1,738 |
| 56,326 | 64,161 | | 204,167 | 221,298 |
| TOTAL EQUITY AND LIABILITIES | | | | |

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

| Company | | | Consolidated | |
|----------------|----------------|--|----------------|----------------|
| 2010 | 2009 | | 2010 | 2009 |
| R'000 | R'000 | Notes | R'000 | R'000 |
| 345 | 342 | Revenue | 269,040 | 268,282 |
| - | - | Cost of sales | (69,643) | (76,911) |
| <u>345</u> | <u>342</u> | Gross profit | <u>199,397</u> | <u>191,371</u> |
| 745 | 104 | Other operating income | 14,075 | 15,705 |
| (3,979) | (3,917) | Administrative and operating expenses | (197,184) | (189,977) |
| <u>(2,888)</u> | <u>(3,471)</u> | Profit from operating activities | <u>16,288</u> | <u>17,099</u> |
| 5,135 | 9,243 | Profit from investment activities | (6,595) | 2,945 |
| <u>2,247</u> | <u>5,772</u> | Operating profit | <u>9,693</u> | <u>20,044</u> |
| 3,841 | 4,591 | Finance income | 4,664 | 5,621 |
| (1,473) | (2,045) | Finance cost | (4,063) | (5,610) |
| <u>2,368</u> | <u>2,546</u> | Finance income/(cost) - net | <u>601</u> | <u>11</u> |
| - | - | Share of profit/(loss) of associates | (14) | (4) |
| <u>4,615</u> | <u>8,318</u> | Profit before income tax | <u>10,280</u> | <u>20,051</u> |
| (144) | 322 | Income tax credit/(expense) | (5,673) | (6,761) |
| <u>4,472</u> | <u>8,640</u> | Profit for the year from continuing operations | <u>4,607</u> | <u>13,290</u> |
| - | - | Loss for the year from discontinuing operations | (2,296) | - |
| <u>4,472</u> | <u>8,640</u> | Profit for the year | <u>2,311</u> | <u>13,290</u> |
| | | Profit for the year attributable to: | | |
| 4,472 | 8,640 | Equity holders of the company | 3,949 | 10,582 |
| - | - | Minority interest | (1,638) | 2,708 |
| <u>4,472</u> | <u>8,640</u> | | <u>2,311</u> | <u>13,290</u> |
| | | Earnings per share for profit attributable to equity holders: | | |
| 176 | 341 | Basic earnings per share (cents) | 156 | 417 |
| 171 | 338 | Recurring headline earnings per share (cents) | 418 | 403 |
| <u>90</u> | <u>80</u> | Dividend per share (cents) | <u>90</u> | <u>80</u> |

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

| Company | | | Notes | Consolidated | |
|---------|---------|---|-------|--------------|---------|
| 2010 | 2009 | | | 2010 | 2009 |
| R'000 | R'000 | | | R'000 | R'000 |
| | | Share capital | | | |
| | | Ordinary shares | | | |
| 17,578 | 17,578 | At beginning of year | | 17,578 | 17,578 |
| 17,578 | 17,578 | At end of year | 17 | 17,578 | 17,578 |
| | | Non-distributable reserve | | | |
| - | - | At beginning of year | | 381 | 441 |
| - | - | Transfer to retained earnings | | (567) | - |
| - | - | Revaluation of investment | | - | 47 |
| - | - | Revaluation of investment properties | | 2,945 | - |
| - | - | Revaluation of leasehold improvements | | - | (107) |
| - | - | At end of year | | 2,759 | 381 |
| | | Dividend reserve | | | |
| 2,282 | 2,028 | At beginning of year | | 2,282 | 2,028 |
| 2,535 | 2,282 | Transfer from retained earnings | | 2,282 | 2,282 |
| (2,282) | (2,028) | Dividends declared (ordinary dividend) | 6 | (2,028) | (2,028) |
| 2,535 | 2,282 | At end of year | | 2,535 | 2,282 |
| | | Retained earnings | | | |
| 26,939 | 20,581 | At beginning of year | | 65,318 | 56,738 |
| - | - | Correction of opening balance | | (20) | 59 |
| 4,472 | 8,640 | Profit for the year attributable to equity holders | | 3,949 | 10,582 |
| - | - | Transfer to minority interest | | 238 | - |
| - | - | Dividends, capital reductions and repayments forfeited | | 504 | 182 |
| - | - | Transfer from revaluation reserve | | - | 38 |
| (2,535) | (2,282) | Transfer to dividend reserve | | (2,535) | (2,282) |
| 28,876 | 26,939 | At end of year | | 67,454 | 65,318 |
| | | Minority interest | | | |
| - | - | At beginning of year | | 45,045 | 42,706 |
| - | - | Correction of opening balance | | 26 | 25 |
| - | - | Profit for the year attributable to minority shareholders | | (1,638) | 2,708 |
| - | - | Net change in shareholding during the year | | (3,240) | 29 |
| - | - | | | (3,240) | 29 |
| - | - | - Capital reduction | | (1,250) | - |
| - | - | - Share of existing minorities | | (1,990) | 29 |
| - | - | Dividends declared | | (1,432) | (423) |
| - | - | At end of year | | 38,761 | 45,045 |

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

| Company | | | Consolidated | | |
|---|---------------|--|--------------|----------------|----------------|
| 2010 | 2009 | | 2010 | 2009 | |
| R'000 | R'000 | Notes | R'000 | R'000 | |
| Cash flows from operating activities | | | | | |
| (806) | 1,347 | Cash generated from operations | 24 | 11,371 | 25,238 |
| 3,841 | 4,591 | Interest received | | 4,664 | 5,621 |
| (1,473) | (2,045) | Interest paid | | (4,063) | (5,610) |
| (2,282) | (2,029) | Dividends paid to ordinary shareholders | | (2,281) | (2,028) |
| (9) | (382) | Tax paid | | (5,857) | (9,461) |
| <u>(729)</u> | <u>1,481</u> | Net cash generated by/(utilised in) operating activities | | <u>3,834</u> | <u>13,760</u> |
| Cash flows from investing activities | | | | | |
| (445) | (73) | Acquisition of property, plant and equipment | | (10,740) | (8,741) |
| 96 | 9 | Proceeds on disposal of property, plant and equipment | | 7,222 | 2,273 |
| 504 | - | Proceeds on the capital reduction of investments in subsidiaries | | - | - |
| - | - | Acquisition of intangible assets | | (300) | (10) |
| (6,925) | 7,773 | Movement in investments in subsidiaries | | (3,924) | (141) |
| (1,223) | 255 | Acquisition of other financial assets | | (2,404) | (881) |
| - | - | Disposal of other financial assets | | 14 | 1,084 |
| 6,862 | 8,628 | Dividends received | | - | - |
| 143 | - | Other investment income | | - | 417 |
| - | - | Revaluation of investments recognised as equity | | 2,378 | (23) |
| <u>(988)</u> | <u>16,593</u> | Net cash generated by/(utilised in) investing activities | | <u>(7,754)</u> | <u>(6,022)</u> |
| Cash flows from financing activities | | | | | |
| - | - | Repayment of borrowings | | (1,528) | (2,866) |
| <u>-</u> | <u>-</u> | Net cash (utilised in)/generated by financing activities | | <u>(1,528)</u> | <u>(2,866)</u> |
| Net increase/(decrease) in cash and cash equivalents | | | | | |
| (1,717) | 18,074 | | | (5,449) | 4,872 |
| 6,250 | (11,824) | Cash and cash equivalents at beginning of year | | 26,112 | 21,240 |
| <u>4,533</u> | <u>6,250</u> | Cash and cash equivalents at end of year | 16 | <u>20,663</u> | <u>26,112</u> |

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

SUMMARY OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2010

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 statement of comprehensive income.

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 statement of comprehensive income, 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 statement of comprehensive income.

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 statement of comprehensive income during the financial period in which they are incurred.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
SUMMARY OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2010

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 statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income 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 | - Ripening rooms inseparable from fixed structures | 20 years |
| - Leasehold improvements | 5 - 20 years | - Forklifts | 4 - 5 years |
| - Machinery and equipment | 5 - 10 years | - Motor vehicles | 3 - 5 years |
| - Furniture | 5 years | - Computers and other information technologies | 1 - 5 years |
| - Ripening rooms | 5 - 10 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 statement of comprehensive income. 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 statement of comprehensive income.

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.

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 statement of financial position.

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.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

SUMMARY OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2010

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 statement of comprehensive income 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 statement of financial position 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of financial position 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.

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).

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

SUMMARY OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2010

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 2009 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 for SME's.

The adoption of IFRS for SME's during 2009 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 was 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 an 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 2010

| Company | | | Consolidated | |
|---|-------|---|--------------|---------|
| 2010 | 2009 | | 2010 | 2009 |
| 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: | | | | |
| 74 | 227 | Depreciation on property, plant and equipment (A detailed breakdown of the depreciation expense is presented in note 8). | 4,537 | 5,104 |
| 124 | 115 | Auditor's remuneration | 1,608 | 1,583 |
| 124 | 115 | Audit fees - current year | 1,323 | 1,326 |
| - | - | Other services | 285 | 257 |
| (65) | (2) | Profit on disposal of property, plant and equipment | (334) | (1,579) |
| - | (255) | Profit on disposal of investments | - | (352) |
| 2,863 | 1,627 | Directors' remuneration | 16,131 | 14,176 |
| 209 | 89 | Fees | 3,722 | 3,660 |
| 2,654 | 1,538 | Salaries | 12,409 | 10,516 |
| 85 | 38 | Fees relating to non-employees | 876 | 922 |
| - | - | Managerial services | 486 | 458 |
| 85 | 38 | Consulting fees | 390 | 464 |
| - | 943 | Staff costs (see note 3) | 105,910 | 102,071 |
| - | - | Operating lease payments | 4,837 | 5,401 |
| - | - | Amortisation of intangible assets (note 13) | 1,791 | 1,789 |
| 2. PROFIT FROM INVESTMENT ACTIVITIES | | | | |
| (2,044) | 358 | (Impairment)/Reversal of impairment: Investments in subsidiaries (note 10) | - | - |
| 140 | - | Fair value adjustment on investment property (note 9) | (9,787) | 349 |
| 35 | 2 | Fair value adjustment on insurance assets (note 9) | 1,769 | 1,705 |
| - | 255 | Fair value adjustment on unlisted investments (note 9) | 35 | 2 |
| 6,862 | 8,628 | Profit on the disposal of investments | 1,215 | 456 |
| 143 | - | Dividends received | 30 | 103 |
| - | - | Other | 143 | - |
| - | - | Negative goodwill recognised | - | 330 |
| 5,135 | 9,243 | | (6,595) | 2,945 |

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

| Company | | | Consolidated | |
|---------|---------|---|--------------|---------|
| 2010 | 2009 | | 2010 | 2009 |
| R'000 | R'000 | | R'000 | R'000 |
| | | 3. STAFF COSTS | | |
| - | 943 | Salaries and wages | 105,910 | 102,071 |
| | | 4. FINANCE INCOME | | |
| 97 | 47 | Interest received - Bank | 1,614 | 2,515 |
| 119 | 180 | - Other | 2,270 | 1,592 |
| 3,625 | 4,364 | - Related parties | 780 | 1,514 |
| 3,841 | 4,591 | | 4,664 | 5,621 |
| | | FINANCE COST | | |
| (1,103) | (1,619) | Interest paid - Bank | (4,030) | (5,551) |
| - | - | - Other | (33) | (23) |
| (370) | (426) | - Related parties | - | (36) |
| (1,473) | (2,045) | | (4,063) | (5,610) |
| | | 5. TAX | | |
| - | - | Current tax | 5,905 | 6,316 |
| (76) | (187) | Deferred tax | (529) | (216) |
| 220 | 165 | Secondary tax on companies | 529 | 1,700 |
| - | (299) | (Overprovision)/underprovision for tax | (232) | (1,039) |
| 144 | (322) | | 5,673 | 6,761 |
| | | 6. DIVIDENDS | | |
| 2,282 | 2,028 | Ordinary dividend of 90 cents per share (2009: 80 cents per share) | 2,282 | 2,028 |

Provision has been made for a dividend of 100 cents per share (2009: 90 cents per share) out of current profits to be paid in the 2011 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 2010

| 7. EARNINGS PER ORDINARY SHARE | 2010 R'000 | 2009 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 | 3,949 | 10,582 | | |
| Weighted average number of ordinary shares in issue (thousands) | 2,535 | 2,535 | | |
| Basic earnings per share (c per share) | 156 | 417 | | |
| (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 | 10,595 | 10,218 | | |
| Weighted average number of ordinary shares in issue (thousands) | 2,535 | 2,535 | | |
| Recurring headline earnings per share (c per share) | 418 | 403 | | |
| 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 2010 | | | | |
| According to financial statements | 7,984 | (5,673) | 1,638 | 3,949 |
| Adjustments: | | | | |
| Profit on disposal of property, plant and equipment | (334) | 84 | 30 | (220) |
| Profit on disposal of investments/subsidiaries | (1,215) | 8 | 580 | (627) |
| Equity accounted losses/(earnings) of associates | 14 | (4) | - | 10 |
| Revaluation of investments held for sale | (80) | 20 | 3 | (57) |
| Revaluation of investment properties | 9,787 | (1,360) | (4,280) | 4,147 |
| Revaluation of insurance assets | (1,770) | 496 | 488 | (786) |
| Amortisation of goodwill and intangible assets | 1,883 | - | - | 1,883 |
| Loss made by discontinued operations: Plaasvars | 2,296 | - | - | 2,296 |
| Recurring headline earnings | 18,565 | (6,429) | (1,541) | 10,595 |
| Recurring headline earnings per share (c per share) | | | | 418 |
| | 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 |

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

7. EARNINGS PER ORDINARY SHARE - continued

| | 2010 | 2009 | |
|---|--|--------------|-------------------|
| Company | R'000 | R'000 | |
| (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 | 4,472 | 8,640 | |
| Weighted average number of ordinary shares in issue (thousands) | 2,535 | 2,535 | |
| Basic earnings per share (c per share) | 176 | 341 | |
| (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 | 4,339 | 8,549 | |
| Weighted average number of ordinary shares in issue (thousands) | 2,535 | 2,535 | |
| Recurring headline earnings per share (c per share) | 171 | 338 | |
| Reconciliation between recurring headline earnings and basic earnings of the company: | | | |
| | Profit from ordinary activities | Tax | Net income |
| | R'000 | R'000 | R'000 |
| 31 December 2010 | | | |
| According to financial statements | 4,615 | (144) | 4,472 |
| Adjustments | | | |
| Profit on disposal of property, plant and equipment | (65) | 12 | (53) |
| Revaluation of investments held for sale | (73) | 20 | (53) |
| Revaluation of investment properties | (140) | 20 | (120) |
| Amortisation of goodwill and intangible assets | 93 | - | 93 |
| Recurring headline earnings | 4,430 | (92) | 4,339 |
| Recurring headline earnings per share (c per share) | | | 171 |
| 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) | | | 337 |

SUBTROPICO LIMITED AND SUBSIDIARIES
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

8. PROPERTY, PLANT AND EQUIPMENT

| Consolidated | Freehold | Leasehold | Furniture, | | | | | |
|------------------------------------|------------------|------------------|-------------------|-----------------|------------------|-----------------|------------------|---------------|
| Year ended 31 December 2010 | land and | improve- | machinery | Ripening | Forklifts | Motor | Computers | Total |
| | buildings | ments | and | rooms | R'000 | vehicles | R'000 | R'000 |
| | R'000 | R'000 | equipment | R'000 | R'000 | R'000 | R'000 | R'000 |
| Opening net book amount | 6,821 | 6,101 | 5,645 | 2,528 | 1,746 | 3,822 | 598 | 27,261 |
| Additions | 4,505 | 22 | 1,444 | 557 | 628 | 3,398 | 186 | 10,740 |
| Reclassification | - | (6) | 6 | - | - | - | - | - |
| Disposals | - | - | (17) | (22) | (8) | (556) | (1) | (604) |
| Disposal of subsidiary | - | (5,675) | (609) | - | - | - | - | (6,284) |
| Assets written off/impaired | - | (354) | (187) | (61) | - | (3) | (4) | (609) |
| Depreciation charge | (149) | (88) | (1,574) | (400) | (672) | (1,274) | (380) | (4,537) |
| Net book value end of year | 11,177 | - | 4,708 | 2,602 | 1,694 | 5,387 | 399 | 25,967 |
| Cost | 13,524 | 545 | 17,574 | 4,357 | 5,801 | 10,313 | 3,254 | 55,368 |
| Accumulated depreciation | (2,347) | (545) | (12,866) | (1,755) | (4,107) | (4,926) | (2,855) | (29,401) |
| Net book value end of year | 11,177 | - | 4,708 | 2,602 | 1,694 | 5,387 | 399 | 25,967 |
| Consolidated | | | | | | | | |
| Year ended 31 December 2009 | | | | | | | | |
| 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 |
| Company | | | | | | | | |
| Year ended 31 December 2010 | | | | | | | | |
| Opening net book amount | | | 84 | - | - | 34 | 27 | 145 |
| Additions | | | 78 | - | - | 366 | 1 | 445 |
| Disposals | | | - | - | - | (30) | (1) | (31) |
| Depreciation charge | | | (26) | - | - | (40) | (8) | (74) |
| Net book value end of year | | | 136 | - | - | 330 | 19 | 485 |
| Cost | | | 416 | - | - | 923 | 103 | 1,442 |
| Accumulated depreciation | | | (280) | - | - | (593) | (84) | (957) |
| Net book value end of year | | | 136 | - | - | 330 | 19 | 485 |
| 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 |

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

| Company | | | Consolidated | |
|---------------|---------------|---|---------------|---------------|
| 2010 R'000 | 2009 R'000 | | 2010 R'000 | 2009 R'000 |
| - | - | Portion 31 of the farm Evert (7.7115 ha) with improvements | 3,027 | 2,996 |
| - | - | 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 | 1,519 | 385 |
| - | - | Scheme nr 1, Fairhaven Small Holdings, Bloemfontein | 3,041 | 3,041 |
| - | - | Belfast auction complex | 75 | 75 |
| - | - | Portion 6519, Piet Potgietersrust Township, Limpopo | 1,710 | - |
| - | - | Portion 119 (a portion of portion 67) of the farm Beestekraal 199 | 570 | - |
| - | - | Portion 5 of Erf 161, Ermelo Township, Mpumalanga | 910 | - |
| - | - | | 11,176 | 6,821 |

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).

Leasehold improvements comprise the following:

| | | | | |
|---|---|---|---|-------|
| - | - | Leasehold improvements of Madikwe River Lodge | - | 5,680 |
| - | - | Leasehold improvements of Subtropico Plaasvars Produkte | - | 421 |
| - | - | | - | 6,101 |

The investment in Madikwe River Lodge was sold and the leasehold improvements of Subtropico Plaasvars Produkte impaired during 2010.

9. INVESTMENT PROPERTIES

The following properties have been classified as investment property:

| | | | | |
|-------|-------|--|--------|--------|
| - | - | Parkland no. 2, New Muckleneuk, Pretoria | 940 | 850 |
| 2,500 | 2,360 | Parkland no. 5, New Muckleneuk, Pretoria | 2,500 | 2,360 |
| - | - | Erf 1977, Silverton, Pretoria | - | 16,400 |
| - | - | Parkland no. 1, New Muckleneuk, Pretoria | - | 1,005 |
| - | - | Erf 701, Hatfield, Pretoria # | - | 12,950 |
| - | - | Portion 3, Erf 173, Hatfield, Pretoria # | - | 9,750 |
| - | - | Erf 3708, Malmesbury, Western Cape Province | - | 1,455 |
| - | - | Erf 715, Gezina, Pretoria # | - | 9,285 |
| - | - | Portion 3, Erf 146, New Muckleneuk, Pretoria # | - | 15,200 |
| - | - | Portion 2, Erf 161, Hatfield, Pretoria # | - | 5,855 |
| - | - | Erf 56, Hazyview, Mpumalanga | 397 | 328 |
| - | - | Portion 6 of the farm Bronkhorst no.748, Paarl # | 13,000 | 10,145 |
| 2,500 | 2,360 | | 16,837 | 85,583 |

The investment properties were valued by a professional associated valuer and the directors on 31 December 2010 at open market value.

Consolidated:

- Investment properties to the value of R16.8 million (2009: R60.6 million) are encumbered as security for mortgage bonds to the value of R16.9 million (2009: R20.4 million). Refer to note 19.

| | | | | |
|-------|-------|------------------------------------|----------|--------|
| 2,360 | 2,360 | At beginning of year | 85,583 | 85,234 |
| - | - | Disposals | (62,561) | - |
| 140 | - | Fair value adjustments (note 2) | (6,842) | 349 |
| - | - | Additions and expenses capitalised | 657 | - |
| 2,500 | 2,360 | At end of year | 16,837 | 85,583 |

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

| 10. INVESTMENTS IN SUBSIDIARIES | Company | |
|---|---------------|---------------|
| | 2010 R'000 | 2009 R'000 |
| Unlisted | | |
| At beginning of year | 42,632 | 50,047 |
| Investments in subsidiaries (Acquisitions) | - | 27 |
| Reclassification of investment as a loan | - | (275) |
| Capital reduction of investment in subsidiary | (504) | - |
| Reversal of Impairment of investment in subsidiaries recognised in current year | 7 | 1,805 |
| Impairment of investment in subsidiaries recognised in current year | (2,051) | (1,447) |
| Movement in loans to subsidiaries (see below) | 6,925 | (7,525) |
| At end of year | 47,009 | 42,632 |
| Investments in subsidiaries (summary) | | |
| Subtropico Market Agents (Proprietary) Limited | - | - |
| - Cost of investment in shares | - | - |
| - Loan account | - | - |
| 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 | 4,515 | 3,775 |
| - Cost of investment in shares | - | - |
| - Loan account | 4,515 | 3,775 |
| - Less: Impairment charge | - | - |
| Agri Bid Auctions and Sales (Proprietary) Limited | - | - |
| - Cost of investment in shares | 479 | 479 |
| - Loan account | 1,162 | 1,147 |
| - Less: Impairment charge | (1,641) | (1,626) |
| Burpak Limited | 1,683 | 1,683 |
| - Cost of investment in shares | 1,683 | 1,683 |
| - Loan account | - | - |
| Burpak Dagama Avocado Oils (Proprietary) Limited | 151 | 648 |
| - Cost of investment in shares | 144 | 648 |
| - Less: Impairment charge | 7 | - |

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

| | Company | |
|---|---------------|---------------|
| | 2010 R'000 | 2009 R'000 |
| 10. INVESTMENTS IN SUBSIDIARIES - continued | | |
| Subtropico International (Proprietary) Limited | 2,915 | 2,915 |
| - Cost of investment in shares | 450 | 450 |
| - Loan account | 2,465 | 2,465 |
| Yabeng Investment Holding Company Limited | 11,271 | 10,501 |
| - Cost of investment in shares | 10,226 | 10,226 |
| - Loan account | 1,045 | 275 |
| Pen Properties (Proprietary)Limited | 275 | - |
| - Cost of investment in shares | - | - |
| - Loan account | 275 | - |
| Subtropico Plaasvars Produkte (Proprietary)Limited | 3,632 | 4,119 |
| - Cost of investment in shares | 1,680 | 1,680 |
| - Loan account | 5,425 | 3,876 |
| - Less: Impairment charge | (3,474) | (1,437) |
| Vleissentraal (Proprietary) Limited | 22,475 | 18,899 |
| - Cost of investment in shares | 1,350 | 1,350 |
| - Loan account | 13,349 | 13,349 |
| - Debtor financing loan | 7,776 | 4,200 |
| | <u>47,009</u> | <u>42,632</u> |

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, Subtropico Plaasvars Produkte (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 and Vleissentraal (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
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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% | 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. |
| | | 100,000 Preference shares | 100% | |
| 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
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FOR THE YEAR ENDED 31 DECEMBER 2010

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
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| Company | | | | | | Consolidated | |
|---------|-------|---|------------------------------|------------------------|-------|--------------|-------|
| 2010 | 2009 | | | | | 2010 | 2009 |
| R'000 | R'000 | | | | | R'000 | R'000 |
| | | 11. INVESTMENTS IN ASSOCIATES | | | | | |
| | | Name | 2009 | Carrying amount | | | |
| | | | Holding% | | | | |
| | | Unlisted | | | | | |
| - | - | Inyanga Trading 54 Limited | 50% | 652 | 665 | | |
| - | - | Hedge Auctioneers (Pty) Limited | 45% | (2) | 3 | | |
| - | - | Leydsdorp Veilingskrale (Pty) Limited | 50% | 47 | 48 | | |
| - | - | Warmbad Veemark | 30% | 759 | 737 | | |
| - | - | Olemre (Pty) Ltd | 50% | 109 | 125 | | |
| - | - | Liefgekozen Estate (Pty) Ltd | 50% | 63 | 64 | | |
| - | - | | | 1,628 | 1,642 | | |
| | | 12. OTHER FINANCIAL ASSETS | | | | | |
| 183 | 181 | At beginning of year | | 2,545 | 553 | | |
| - | - | Opening balance adjustment | | (54) | 13 | | |
| - | - | Recognition of insurance asset | | - | 214 | | |
| 1,223 | 351 | Purchase of other investments | | 1,368 | 667 | | |
| - | - | Purchase of loans and receivables | | 1,036 | - | | |
| - | (351) | Sale of other investments | | - | (628) | | |
| - | - | Capital repayments of loans and receivables | | (14) | - | | |
| 35 | 2 | Fair value adjustments to other investments | | 35 | 21 | | |
| - | - | Fair value adjustments to insurance assets | | 1,769 | 1,705 | | |
| 1,441 | 183 | At end of year | | 6,685 | 2,545 | | |
| | | Name | Number of shares held | | | | |
| | | Unlisted | | | | | |
| | | Available for sale financial assets | | | | | |
| 173 | 173 | Houers Kooperatief Limited | 326 156: Ordinary shares | 173 | 173 | | |
| 10 | 10 | Techno Fresh (Pty) Limited | 10: Ordinary shares | 10 | 10 | | |
| 550 | - | Natsure Limited | 1 375 000: Ordinary shares | 550 | - | | |
| 708 | - | KLK Limited | 317 229: Ordinary shares | 708 | - | | |
| - | - | Bazisolve (Pty) Ltd | | 110 | - | | |
| - | - | Old Mutual and Sanlam Life Policies | | 336 | 301 | | |
| - | - | Natsure insurance asset | | 879 | - | | |
| - | - | Corporate guarantee insurance asset | | 2782 | 1,919 | | |
| - | - | Giba Communal Services | | 1036 | - | | |
| - | - | Other investments | | - | 27 | | |
| 1,441 | 183 | | | 6,584 | 2,430 | | |
| | | Loans and receivables | | | | | |
| - | - | Techno Fresh (Pty) Limited | | 49 | 49 | | |
| - | - | Crystal Cascades Properties 5 (Pty) Ltd | | 52 | 66 | | |
| - | - | | | 101 | 115 | | |
| 1,441 | 183 | | | 6,685 | 2,545 | | |
| | | Total non - current other financial assets | | 5,649 | 2,545 | | |
| | | Total current other financial assets | | 1,036 | - | | |
| | | Total other financial assets | | 6,685 | 2,545 | | |

On 31 December 2010 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
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FOR THE YEAR ENDED 31 DECEMBER 2010

| Company | | | Consolidated | |
|------------|------------|---|----------------|---------------|
| 2010 | 2009 | | 2010 | 2009 |
| R'000 | R'000 | | R'000 | R'000 |
| | | 13. INTANGIBLE ASSETS | | |
| | | Goodwill (Net) | | |
| - | - | At beginning of year | 13,344 | 15,470 |
| - | - | Additions through business combinations | 300 | - |
| - | - | Amortisation charge | (1,488) | (641) |
| - | - | Impairment Charge | - | (1,485) |
| <u>-</u> | <u>-</u> | At end of year | <u>12,156</u> | <u>13,344</u> |
| | | Market licence and supplier listings | | |
| - | - | At beginning of year | 1,283 | 1,577 |
| - | - | Acquisition | - | 10 |
| - | - | Amortisation charge | (304) | (304) |
| <u>-</u> | <u>-</u> | At end of year | <u>979</u> | <u>1,283</u> |
| <u>-</u> | <u>-</u> | | <u>13,135</u> | <u>14,627</u> |
| | | 14. INVENTORIES | | |
| - | - | Packaging material | 5,295 | 1,798 |
| - | - | Consumables | 25 | 684 |
| - | - | Whole goods | 266 | 430 |
| - | - | Other | - | 122 |
| - | - | Fresh produce | 163 | 76 |
| <u>-</u> | <u>-</u> | | <u>5,749</u> | <u>3,110</u> |
| | | Inventory is valued consistent with previous years as set out in accounting policy number 10. | | |
| | | 15. TRADE AND OTHER RECEIVABLES | | |
| 60 | 241 | Trade receivables | 40,150 | 28,516 |
| - | - | Less: Provision for impairment of trade receivables | (5,115) | (5,095) |
| <u>60</u> | <u>241</u> | Trade receivables - net | <u>35,035</u> | <u>23,421</u> |
| - | - | Pre-payments | 104 | 247 |
| | | Other receivables: | | |
| 173 | 82 | Sundry receivables | 66,273 | 4,679 |
| 9 | 9 | Deposits | 158 | 95 |
| - | 6 | South African Revenue Service - Value Added Tax | 602 | 488 |
| - | - | Loans to related parties | 6,132 | 13,365 |
| <u>242</u> | <u>338</u> | Trade and other receivables | <u>108,304</u> | <u>42,295</u> |
| - | - | Less non - current portion | (6,121) | (7,182) |
| - | - | Deposits | (31) | (13) |
| - | - | Loans to related parties | (6,090) | (7,169) |
| <u>242</u> | <u>338</u> | Current portion | <u>102,183</u> | <u>35,113</u> |

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 9%).

Sundry receivables include an amount of R61.1 million recognized as a result of the sale of Pen Property Holdings (Proprietary) Limited's property portfolio to Aveo Risk Services (Proprietary) Limited. The transfer of the properties in exchange for a 35% effective interest in Natsure Limited was completed in 2011.

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FOR THE YEAR ENDED 31 DECEMBER 2010

| Company | | | Consolidated | |
|----------------|---------------|--|---------------------|----------------|
| 2010 | 2009 | | 2010 | 2009 |
| R'000 | R'000 | | R'000 | R'000 |
| | | 16. CASH AND CASH EQUIVALENTS | | |
| 4,533 | 18,251 | Bank balances | 21,438 | 37,515 |
| - | - | Cash on hand | 298 | 251 |
| - | - | Deposits at financial institutions | 694 | 957 |
| <u>4,533</u> | <u>18,251</u> | | <u>22,430</u> | <u>38,723</u> |
| | | For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following: | | |
| 4,533 | 18,251 | Bank balances | 21,438 | 37,515 |
| - | - | Cash on hand | 298 | 251 |
| - | - | Bank overdrafts (note 19) | (1,767) | (611) |
| - | (12,000) | Bank accept letters (note 19) | - | (12,000) |
| - | - | Deposits at financial institutions | 694 | 957 |
| <u>4,533</u> | <u>6,251</u> | | <u>20,663</u> | <u>26,112</u> |
| | | Consolidated | | |
| | | Burpak Limited's bank overdraft amounts to R 1 734 543 (2009: R 611 325) 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 (Proprietary) Limited, Vleissentraal (Proprietary) Limited and Subtropico Limited. The cross suretyship secures the facilities granted by ABSA Bank Ltd to Subtropico Limited of which a R22,800,000 overdraft is the most significant. Bank overdrafts bears interest at prime. Bank accept letters of R0 (2009: R12,000,000) were outstanding at year end and bears interest at prime minus 1.25%. The overdraft facility was increased to R30 million in January 2011 on the same terms and conditions as set out above. | | |
| | | 17. SHARE CAPITAL | | |
| | | Authorised | | |
| | | Ordinary shares | | |
| | | 3 000 000 shares of no par value | | |
| 3,000 | 3,000 | (2009: 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 | (2009: 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% (2009: 28%). | | |
| - | - | Deferred income tax assets | 1,925 | 2,337 |
| 117 | 40 | Deferred income tax liabilities | (2,419) | (3,695) |
| <u>117</u> | <u>40</u> | | <u>(494)</u> | <u>(1,358)</u> |
| | | The movement on the deferred income tax account is as follows: | | |
| 40 | (147) | Beginning of the year | (1,358) | (1,673) |
| - | - | Adjustment to opening balance | - | (82) |
| 77 | 187 | Temporary differences | 864 | 397 |
| (39) | 19 | Accelerated tax depreciation | 1,285 | (6) |
| (10) | - | Other financial assets | (489) | (478) |
| 2 | 4 | Provisions | (25) | 175 |
| 143 | 164 | Assessed losses | 113 | 525 |
| (19) | - | Revaluation of investment properties | (20) | 160 |
| - | - | Revaluation of leasehold properties | - | 21 |
| <u>117</u> | <u>40</u> | At end of year | <u>(494)</u> | <u>(1,358)</u> |

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
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FOR THE YEAR ENDED 31 DECEMBER 2010

| Company | | 19. BORROWINGS | Consolidated | |
|---------------|---------------|--|---------------|---------------|
| 2010 R'000 | 2009 R'000 | | 2010 R'000 | 2009 R'000 |
| - | - | Non - current | | |
| - | - | Bank borrowings | 8,593 | 20,432 |
| - | - | Finance lease liabilities | 1,496 | 634 |
| - | - | | 10,089 | 21,066 |
| - | - | Current | | |
| - | - | Bank overdrafts (note 16) | 1,767 | 611 |
| - | 12,000 | Bank accept letters (note 16) | - | 12,000 |
| - | - | Bank borrowings | 12,438 | 2,782 |
| - | - | Finance lease liabilities | 196 | 403 |
| - | 12,000 | | 14,401 | 15,796 |
| - | 12,000 | Total borrowings | 24,490 | 36,862 |
| | | <i>Details of bank borrowings are:</i> | | |
| | | Secured | | |
| | | <u>Vleissentraal (Pty) Ltd and subsidiaries:</u> | | |
| | | <u>Mortgage bonds</u> | | |
| - | - | Total outstanding amount | 3,812 | 2,550 |
| - | - | Less: Current liabilities | (767) | (218) |
| - | - | Non - current liabilities | 3,045 | 2,332 |
| | | <u>Subtropico International (Proprietary) Limited and subsidiaries:</u> | | |
| | | <u>Mortgage bonds</u> | | |
| - | - | Total outstanding amount | 6,328 | 7,195 |
| - | - | Less: Current liabilities | (1,055) | - |
| - | - | Non - current liabilities | 5,273 | 7,195 |

Nedbank mortgage bond registered and secured over Scheme nr 1, Fairhaven Small Holdings, Bloemfontein owned by a wholly owned subsidiary of Vleissentraal Bloemfontein (Proprietary) Limited (reflected in note 8). The bond bears interest at prime rate per annum and is repayable in monthly instalments of R32,709 (2009: R37,459). The outstanding balance at year end amounts to R2,191,998 (2009: R2,549,849).

Standard Bank Medium term loan to Vleissentraal Bosveld (Proprietary) Limited. The loan bears interest at 1% above prime. Interest is payable monthly and a minimum monthly capital repayment of R20,000 is required. The outstanding balance at year end amounts to R1,620,000 (2009: R0).

Subtropico International (Proprietary) Limited and subsidiaries:

Mortgage bonds

| | | |
|---------------------------|---------|-------|
| Total outstanding amount | 6,328 | 7,195 |
| Less: Current liabilities | (1,055) | - |
| Non - current liabilities | 5,273 | 7,195 |

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, which commenced on 1 March 2010.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
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| Company | | | Consolidated | |
|---------------|---------------|---|---------------|---------------|
| 2010 R'000 | 2009 R'000 | | 2010 R'000 | 2009 R'000 |
| | | 19. BORROWINGS - continued | | |
| | | <u>Yabeng Investment Holding Company Limited and subsidiaries:</u> | | |
| | | <u>Mortgage bonds</u> | | |
| - | - | Total outstanding amount | 10,615 | 13,194 |
| - | - | Less: Current liabilities | (10,615) | (2,564) |
| - | - | Non - current liabilities | - | 10,630 |
| | | The remaining mortgage bonds, which bear interest at fixed and varying rates presently ranging from 8% to 13.7%, will be fully redeemed in 2011. The redemption, which include the breakage penalties incurred on the fixed rate mortgages, is the result of the 2010 sale and the subsequent transfer early 2011 of the investment property portfolio of Pen Properties (Proprietary) Limited to Aveo Risk Services (Proprietary) Limited. | | |
| | | Long-term borrowings totalling R10 615 203 (2009: R13 194 267) are secured over investment property with a book value of R0 (2009: R50 450 000). The loans are secured by investment property as reflected in note 9. | | |
| | | <u>Schedule of capital repayments:</u> | | |
| - | - | between 1 and 2 years | 10,615 | 6,787 |
| - | - | between 2 and 5 years | - | 5,283 |
| - | - | over 5 years | - | 1,124 |
| - | - | | 10,615 | 13,194 |
| - | - | Total non - current bank borrowings | 8,318 | 20,157 |
| - | - | Total current bank borrowings | 12,437 | 2,782 |
| - | - | Total bank borrowings | 20,755 | 22,939 |
| | | <u>Details of finance lease liabilities:</u> | | |
| | | <u>Subtropico International (Proprietary) Limited</u> | | |
| | | Gross finance lease liabilities - minimum lease payments: | | |
| - | - | Not later than 1 year | 222 | 242 |
| - | - | Later than 1 year and no later than 5 years | 440 | 1,025 |
| - | - | Future finance charges on finance leases | (93) | (597) |
| - | - | Present Value of finance lease liabilities: | 569 | 670 |
| - | - | Not later than 1 year | 213 | 182 |
| - | - | Later than 1 year and no later than 5 years | 356 | 488 |
| - | - | | 569 | 670 |
| | | The loans bear interest at prime and are repayable by a total monthly instalment of R20,969.31 (2009: R21,584.44). | | |
| | | The loans are secured over motor vehicles with a book value of R414,954 (2009: R494,316). | | |
| | | <u>Burpak Limited and subsidiaries</u> | | |
| | | Gross finance lease liabilities - minimum lease payments: | | |
| - | - | Not later than 1 year | 119 | 220 |
| - | - | Later than 1 year and no later than 5 years | 261 | 195 |
| - | - | Future finance charges on finance leases | (64) | (48) |
| - | - | Present Value of finance lease liabilities: | 316 | 367 |
| - | - | Not later than 1 year | 148 | 221 |
| - | - | Later than 1 year and no later than 5 years | 168 | 146 |
| - | - | | 316 | 367 |
| | | The loans bears interest at variable rates between 8.2% and 9% and are repayable in monthly instalments of R17,973 (2009: R23,280). | | |
| | | The loans are secured over assets with a book value of R614,588 (2009: R493,556). | | |
| - | - | Total non - current finance lease liabilities | 524 | 634 |
| - | - | Total current finance lease liabilities | 361 | 403 |
| - | - | Total finance lease liabilities | 885 | 1,037 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

| Company | | | Consolidated | |
|-------------------------------------|---------------|--|---------------|---------------|
| 2010 R'000 | 2009 R'000 | | 2010 R'000 | 2009 R'000 |
| 20. TRADE AND OTHER PAYABLES | | | | |
| - | - | Trade payables | 12,464 | 13,513 |
| 188 | 159 | Other payables | | |
| - | - | Dividends and capital repayments payable | 189 | 159 |
| 1,318 | 1,122 | Amounts received in advance | 106 | 102 |
| 25 | 18 | Sundry payables | 17,669 | 14,189 |
| - | - | Accrued leave pay | 2,915 | 2,654 |
| 66 | - | Trust payables | 9,430 | 7,867 |
| 173 | 27 | South African Revenue Services - Value Added Tax | 1,864 | 1,593 |
| - | - | Deposits held | 503 | 216 |
| 5,566 | 4,036 | Director's loans | 400 | 350 |
| | | Amounts due to related parties | 463 | 6,443 |
| <u>7,337</u> | <u>5,362</u> | | <u>46,003</u> | <u>47,086</u> |
| - | - | Less non - current portion | (64) | (236) |
| - | - | Amounts due to related parties | (25) | (66) |
| - | - | Sundry payables | (39) | (170) |
| <u>7,337</u> | <u>5,362</u> | Current portion | <u>45,939</u> | <u>46,850</u> |

Company

Amounts due to related parties bears interest at prime minus 3% (currently 6%), is unsecured and no repayment terms have been agreed upon.

21. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

| | | | | |
|----------|----------|-------------------|--------------|--------------|
| - | - | Compensation fund | 95 | 79 |
| - | - | Insurance | 444 | 469 |
| - | - | Advertising cost | 879 | 765 |
| <u>-</u> | <u>-</u> | | <u>1,418</u> | <u>1,313</u> |

22. CONTINGENT LIABILITIES

Securities and suretyships are set out in the following notes to the financial statements:

Property, plant and equipment (note 8). Cash and cash equivalents (note 16).
Investment properties (note 9). Borrowings (note 19).
Investments in subsidiaries (note 10).

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> |

The APAC guarantees above were renegotiated with ABSA early in 2011.

23. CAPITAL COMMITMENTS

Neither the company nor any of its subsidiaries had any significant commitments for capital expenditure at 31 December 2010 (2009: Rnil).

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

| Company | | | Consolidated | |
|---------|---------|--|--------------|---------|
| 2010 | 2009 | | 2010 | 2009 |
| R'000 | R'000 | | R'000 | R'000 |
| | | 24. CASH FLOW FROM OPERATIONS | | |
| 4,615 | 8,318 | Profit before income tax | 10,280 | 20,051 |
| - | - | Adjusted for: | | |
| - | - | Share of profit of associates | 14 | 4 |
| (3,841) | (4,591) | Losses from discontinued operations | (2,296) | - |
| 1,473 | 2,045 | Interest received | (4,664) | (5,621) |
| 74 | 227 | Interest paid | 4,063 | 5,610 |
| (65) | (2) | Depreciation charge | 5,146 | 5,141 |
| (5,135) | (9,243) | Profit on disposal of property, plant and equipment and investment properties | (334) | (1,579) |
| - | - | Profit from investment activities | 8,037 | (2,945) |
| - | - | Amortisation of intangible assets | 1,792 | 945 |
| - | - | Impairment of intangible assets | - | 1,485 |
| - | - | Movements in current assets and liabilities | | |
| - | - | Decrease in inventories | (2,639) | 1,534 |
| 96 | 422 | (Increase)/decrease in trade and other receivables | (7,050) | (6,671) |
| 1,975 | 4,172 | (Decrease)/increase in trade and other payables and provisions (excluding dividends payable) | (978) | 7,284 |
| (808) | 1,347 | Cash flow from operations | 11,371 | 25,238 |

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 directors of Subtropico Limited have a direct or indirect beneficial interest.

The following related party transactions have been entered into:

Dividend income:

| | Company | |
|--|--------------|--------------|
| | 2010 | 2009 |
| | R'000 | R'000 |
| Subtropico Market Agents (Proprietary) Limited | 6,711 | 8,431 |
| Subtropico International (Proprietary) Limited | 90 | - |
| Burpak Limited | 61 | 115 |
| | <u>6,862</u> | <u>8,546</u> |

Rental income:

| | | |
|--|------------|------------|
| Subtropico Market Agents (Proprietary) Limited | 279 | 281 |
| Constantia Ondernemings Limited | 57 | 61 |
| Vleissentraal (Proprietary) Limited | 10 | - |
| | <u>345</u> | <u>342</u> |

Interest received:

| | | |
|---|--------------|--------------|
| Subtropico International (Proprietary) Limited | 246 | 257 |
| Subtropico Plaasvars Produkte (Proprietary) Limited | 3 | 316 |
| Vleissentraal (Proprietary) Limited | 3,295 | 3,787 |
| Natsure Limited | 7 | 11 |
| Yabeng Investment Holding Company Limited | 73 | - |
| | <u>3,624</u> | <u>4,371</u> |

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

| 25. RELATED PARTIES - continued | 2010 | 2009 |
|--|------|------|
| Interest paid: | | |
| Burpak Dagama Avocado Oils (Proprietary) Limited | 132 | 133 |
| Subtropico Market Agents (Proprietary) Limited | 162 | 287 |
| Zedpro (Proprietary) Limited | 57 | - |
| Country Escapes (Pty) Ltd | 18 | - |
| | 369 | 420 |
| Managerial fees and other income: | | |
| Zedpro (Proprietary) Limited | 99 | 92 |
| | 99 | 92 |

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

Group

Directors remuneration

| | Consolidated | |
|--|---------------------|--------------|
| | 2010 | 2009 |
| | R'000 | R'000 |
| Agri Bid Auctions and Sales (Proprietary) Limited | - | 91 |
| Subtropico Limited | 2,863 | 1,627 |
| Subtropico Market Agents (Proprietary) Limited | 967 | 827 |
| Subtropico Plaasvars Produkte (Proprietary) Limited | 429 | 442 |
| Zedpro (Proprietary) Limited | 37 | 29 |
| Burpak Limited | - | 42 |
| Subtropico International (Proprietary) Limited | 1,249 | 988 |
| Vleissentraal (Proprietary) Limited and subsidiaries | 10,459 | 10,130 |
| | 16,004 | 14,176 |

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 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. CHANGE IN ESTIMATE

Property, plant and equipment:

Subtropico Limited:

The useful life of a motor vehicle was estimated in 2009 to be 3 years with no residual value. In the year management revised their estimate to 5 years with a residual value of R170,000. The revision decreased the depreciation charge for the year by R75,864. The effect on future periods is an increase of depreciation charges of R75,864.

Subtropico Market Agents (Proprietary) Limited:

The useful life of a motor vehicle was estimated in 2009 to be 3 years with no residual value. In the year management revised their estimate to 5 years with a residual value of R170,000. The revision decreased the depreciation charge for the year by R99,200. The effect on future periods is an increase of depreciation charges of R99,200.

Burpak Limited:

In the current year management revised the the residual value of buildings, motor vehicles and selected machinery and equipment by comparing book values with individual replacement values. The revision decreased the depreciation charge for the current year by R448,639. The effect on future periods is an increase of depreciation charges of R448,639.

28. DISCONTINUED OPERATIONS OR DISPOSAL GROUPS OR NON-CURRENT ASSETS HELD FOR SALE

Subtropico Plaasvars Produkte (Proprietary) Limited:

The company has decided to discontinue its retail operations. This was effective from 1 October 2010. The assets and liabilities of the disposal group are set out below. The decision was made by the board to discontinue these operations due to the lack of return on investment. The non-current assets were impaired or sold piecemeal.

Profit and loss

| | 2010 | 2009 |
|----------|--------------|--------------|
| | R'000 | R'000 |
| Revenue | 5,732 | 9,018 |
| Expenses | (8,028) | (10,129) |
| | (2,296) | (1,110) |

29. 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.