

UNAUDITED INTERIM RESULTS for the 6 MONTHS ending 30 June 2015
GROUP FINANCIAL HIGHLIGHTS:
FARMWISE TRANSACTION (35% - 1 April 2015)
HEADLINE EARNINGS PER SHARE: +8%
NET ASSET VALUE PER SHARE: R71.87
DIVIDEND PAID: R2.50 PER SHARE (+38.9%)

	Unaudited 6 months 30 Jun 2015 R'000	Unaudited 6 months 30 Jun 2014 R'000	Audited 12 months 31 Dec 2014 R'000
STATEMENT OF COMPREHENSIVE INCOME			
Turnover	207 231	193 862	436 758
Gross profit	185 479	174 822	379 785
Other operating income	2 148	3 204	22 245
Administrative and operating expenses	(171 088)	(162 527)	(361 902)
Profit from operating activities	16 539	15 499	40 128
Profit from investment activities	-	7	8 470
Operating profit	16 539	15 506	48 598
Net finance income	3 500	2 230	5 663
Profit before tax	20 039	17 736	54 261
Tax expense	(5 924)	(5 992)	(13 985)
Profit after tax	14 115	11 744	40 276
Share in after tax profit of associates	3 887	3 713	8 413
Profit for the period/year from continuing operations	18 002	15 457	48 689
Loss for the period/year from discontinued operations	(25)	-	(93)
Profit for the period/year	17 977	15 457	48 596
Minority interest	(3 272)	(2 073)	(9 454)
Profit attributable to ord.shareholders ("basic earnings")	14 705	13 384	39 142
Reconciliation between basic earnings and recurring headline earnings:			
Profit on disposal of property, plant and equipment	(194)	(33)	(1 153)
Loss on disposal of other financial assets	-	-	46
Loss for the year from discontinued operations	210	38	93
Profit on capital reduction of subsidiaries	-	-	(234)
Fair value adjustments to insurance assets ("ART")	-	-	(783)
Fair value adjustments to other financial assets	-	(37)	(13)
Fair value adjustments to investment properties	-	227	(3 456)
Amortisation of goodwill and intangible assets (IFRS for SME's)	1 220	1 189	2 406
Impairment losses	-	-	637
Recurring headline earnings	15 941	14 766	36 687
Weighted number of ordinary shares issued ('000)	2 440	2 440	2 440
Basic earnings per share (cents)	603	549	1 604
Recurring headline earnings per share (cents)	653	605	1 504

	Unaudited 30 Jun 2015 R'000	Unaudited 30 Jun 2014 R'000	Audited 31 Dec 2014 R'000
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Non - current assets	177 626	151 430	163 923
Property, plant and equipment	33 283	30 971	32 180
Investment properties	27 292	20 182	26 717
Investments in associates	79 571	63 717	67 248
Other financial assets	19 321	18 857	18 302
Intangible assets	14 118	14 237	15 334
Deferred income tax assets	3 959	3 451	4 047
Trade and other receivables	82	15	95
Current assets	201 509	116 608	112 785
Current income tax assets	1 840	1 778	916
Other financial assets	2 494	3 061	2 801
Inventories	4 613	3 573	2 783
Trade and other receivables	117 463	64 867	76 913
Cash and cash equivalents	75 099	43 329	29 372
TOTAL ASSETS	379 135	268 038	276 708
EQUITY AND LIABILITIES			
Capital and reserves	199 398	158 599	191 911
<i>Ordinary shareholders' interest</i>	<i>175 379</i>	<i>144 500</i>	<i>171 083</i>
Share capital	15 321	15 121	15 321
Dividend Reserve	284	29	6 100
Non-distributable reserve	2 257	2 986	3 034
Retained earnings	157 517	126 364	146 628
<i>Minority interest in equity</i>	<i>24 019</i>	<i>14 099</i>	<i>20 828</i>
Non - current liabilities	12 785	16 211	11 590
Deferred income tax liabilities	3 166	2 019	3 187
Borrowings	9 619	14 192	8 403
Current liabilities	166 953	93 228	73 208
Trade and other payables	144 170	67 661	56 505
Borrowings	21 830	23 993	15 731
Current income tax liabilities	953	1 574	972
TOTAL EQUITY AND LIABILITIES	379 135	268 038	276 708
Net asset value per share (rand)	71.87	59.22	70.11
Tangible net asset value per share (rand)	66.09	53.39	63.83
Total number of shares issued ('000)	2 440	2 440	2 440

	Unaudited 6 months 30 Jun 2015 R'000	Unaudited 6 months 30 Jun 2014 R'000	Audited 12 months 31 Dec 2014 R'000
CONSOLIDATED CASH FLOW STATEMENT			
Cash generated by operating activities	52 191	27 239	45 346
Cash utilised in investing activities	(13 779)	(4 847)	(23 059)
Cash generated by/(utilised in) financing activities	(1 463)	851	(1 973)
Net increase/(decrease) in cash and cash equivalents	36 949	23 243	20 314
Cash and cash equivalents at beginning of period/year	18 379	(1 935)	(1 935)
Cash and cash equivalents at end of period/year	55 328	21 308	18 379

The fluctuating nature of Vleissentraal's debtors between calendar months severely impacts on the cash generated by operations. It is therefore difficult to make any meaningful comparisons as debtor levels are subject to the relevant auctions held by Vleissentraal around month end.


SUBTROPICO LIMITED

(Registration number 1993/000220/06)

STATEMENT OF CHANGES IN EQUITY	Share capital	Non-distributable reserves	Dividend reserve	Retained Earnings	Total
	R'000	R'000	R'000	R'000	R'000
Balance on 31 December 2014	15 321	3 034	6 100	146 628	171 083
Dividends declared/proposed	-	-	(5 816)	(3 816)	(9 632)
Profit for the period/year	-	-	-	14 705	14 705
Adjustments and revaluations	-	(777)	-	-	(777)
Balance on 30 June 2015	15 321	2 257	284	157 517	175 379

COMMENTS:
ACCOUNTING POLICY

The consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities ("IFRS for SMEs") and in the manner required by the Companies Act of South Africa. Due to the unaudited nature of the results, shareholders are advised to exercise caution when dealing in shares.

OPERATING RESULTS

Turnover increased by 6.9% compared to the prior period. The recurring headline earnings of R15.9 million is 8% higher than the previous period (2014: R14.8 million). The recurring headline earnings per share increased by 8% to 653 cents (2014: 605 cents). Recurring Headline Earnings by source:

	% Increase/ (decrease)	2015 6 months R'000	Contribution	2014 6 months R'000	Contribution
Head Office	6.5%	-3 568	-	-3 350	-
Fresh Produce Market Agents	-24.1%	5 876	30.1%	7 743	42.7%
Live stock Agents	45.0%	9 090	46.6%	6 270	34.6%
Value add	31.4%	6 004	30.8%	4 569	25.2%
Financial & Insurance Services	214.5%	-1 461	-7.5%	-465	-2.5%
Total		15 941	100.00%	14 766	100.00%

Basic earnings and recurring headline earnings are reconciled at the bottom of the statement of comprehensive income.

Fresh Produce Market Agents:

The contribution to recurring headline earnings was 24.1% lower than the prior period with Wenpro being responsible for a significant portion of this decrease as a result of it being more price sensitive due to its high fixed cost component and exposure to vegetables. Vegetables experienced a very weak price market during the first half of the year. The value of produce sold for the period decreased by 3.9% to R926.9 million (2014: R971.8 million), with higher volumes and lower prices being the main driver of this decrease. The profit before tax margin (PBT as a % of the value of produce sold) has dropped to 0.8% (2014: 1.04%). A market share of 16.7% (2014: 16.9%) was achieved during the period on the national produce markets that we are represented on. High volumes, poor fresh produce quality, low prices and dampened demand are expected to continue in the short term.

Livestock Agents:

The livestock agents' business experienced an excellent period with the contribution to recurring headline earnings being 45.0% higher than the prior period. Livestock sold on behalf of producers increased by 28.5% to R2.03 billion (2014: R1.58 billion). The game sales comprised 30.24% (2014: 26.93%) of total sales. Weaner calf price per kilogram has increased to R19.40 p/kg (2014: R17.38 p/kg) period-on-period. The increase in prices and units sold is the direct result of the sharp increase in demand. Vleissentraal's footprint has been expanded to Frankfort and Kimberley and more frequent game auctions are being held in Namibia. All these contributed to a very positive growth in earnings.

Value-add (Processing & Packaging, Wholesale and Retail):

The Subtropico International Group's contribution to recurring headline earnings was 21.8% lower than that of the prior period as a result of the input costs of the expanding Viooldrif primary production project being incurred in the first half of the year, with the subsequent harvest and sale of produce only occurring in the second half. Margins will improve with more control being exerted over the fresh produce value chain. Burpak's contribution to recurring headline earnings was significantly higher than that of the prior period as a result of a slightly higher yielding avocado harvest and a reduction in costs. New management and various initiatives to improve our relationship with producers and increase the volumes packed have been implemented. KLK Landbou Limited contributed a 23.7% (2014: 22.9%) equity accounted profit estimated at R5.3 million (2014: R4.5 million) to recurring headline earnings for the period.

Insurance services:

Natsure accounted for a loss of R1.5 million (2014: R0.55 million loss) in recurring headline earnings for the period. The overall financial result for Natsure has improved by R1.0 million over the past quarter with gross written premium of more than R350 million expected for their 2015 financial year (40% year on year growth), fast approaching the scale levels required to become sustainably profitable. The results however remain disappointing as a result of two claims incurred this year despite the insurance being written more than two years ago. Similar claims cannot occur under the new business model. Historic claims are therefore less likely to be incurred as time progresses.

PROSPECTS

The oversupply of fresh produce during the first half of 2015 and dampened demand has resulted in a weak price market. Livestock and game prices have remained strong during the first half of 2015 and are expected to be stable during the year ahead. Management remains committed to improve results by organic growth and acquisition during 2015. Unless unforeseen circumstances arise, the profitability of the group is expected to improve during the second half of the year.

DIVIDEND

A dividend of 250 cents per share (2013: 180 cents) was paid on Thursday, 30 April 2015 to shareholders recorded in the share register at close of business on Thursday, 23 April 2015. Withholding tax of 15% was deducted and paid over to SARS, resulting in a net dividend of 212.5 cents per share, unless exemption has successfully been applied for.

COMPLETION OF FARMWISE PURCHASE AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Subtropico is pleased to announce that it concluded an Agreement to acquire 35% of Farmwise and will continue to try and add to this equity position. Farmwise supply and manufacture both Pre Pack and Pre Cut products in the food industry to major retailers. The acquisition should increase Subtropico's future earnings. More information on Farmwise can be seen on <http://farmwise-pots.co.za/>.

For and on behalf of the directors at Pretoria on 14 September 2015

A F OBERHOLZER

B P BOTHA - CEO

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