

UNAUDITED INTERIM RESULTS for the 6 MONTHS ending 30 June 2013
GROUP FINANCIAL HIGHLIGHTS:
HEADLINE EARNINGS PER SHARE: + 42.4%
NET ASSET VALUE PER SHARE: R47.48

	Unaudited 6 months 30 Jun 2013 R'000	Unaudited 6 months 30 Jun 2012 R'000	Audited 12 months 31 Dec 2012 R'000
STATEMENT OF COMPREHENSIVE INCOME			
Turnover	122 864	137 663	287 545
Gross profit	109 656	109 246	220 789
Other operating income	1 749	(107)	15 934
Administrative and operating expenses	(100 111)	(99 710)	(218 832)
Profit from operating activities	11 294	9 429	17 891
Profit from investment activities	-	-	2 744
Operating profit	11 294	9 429	20 635
Net finance income	1 016	1 243	3 305
Profit before tax	12 310	10 672	23 940
Tax expense	(3 594)	(3 498)	(8 225)
Profit after tax	8 716	7 174	15 715
Share in after tax profit/(loss) of associate	(95)	(1 168)	6 451
Profit for the period/year from continuing operations	8 621	6 006	22 166
Loss for the period/year from discontinued operations	(694)	(299)	(2 398)
Profit for the period/year	7 927	5 707	19 768
Minority interest	(1 860)	(1 308)	(2 966)
Profit attributable to ord.shareholders ("basic earnings")	6 067	4 399	16 802
Reconciliation between basic earnings and recurring headline earnings:			
Profit on disposal of property, plant and equipment	(53)	(124)	(107)
Loss for the year from discontinued operations	694	299	2 659
Fair value adjustments to insurance assets ("ART")	(20)	(195)	(659)
Fair value adjustments to investments held for sale	-	-	(6)
Fair value adjustments to investment property	-	-	(82)
Amortisation of goodwill and intangible assets (IFRS for SME's)	944	1 067	1 889
Negative goodwill recognised	-	-	(8 917)
Impairment losses	-	-	934
Recurring headline earnings (R'000)	7 632	5 446	12 511
Weighted number of ordinary shares issued ('000)	2 495	2 535	2 525
Basic earnings per share (cents)	243	174	666
Recurring headline earnings per share (cents)	306	215	496

	30 Jun 2013 R'000	30 Jun 2012 R'000	31 Dec 2012 R'000
ASSETS			
Non - current assets	127 453	102 179	127 070
Property, plant and equipment	28 693	22 863	27 375
Investment properties	19 202	17 936	19 202
Investments in associates	52 358	27 960	51 898
Other financial assets	16 862	18 000	17 124
Intangible assets	9 202	12 168	10 147
Deferred income tax assets	1 120	987	1 309
Trade and other receivables	16	2 265	15
Current assets	98 876	120 429	70 994
Current income tax assets	2 909	3 365	1 191
Other financial assets	1 168	-	1 881
Inventories	3 314	4 066	3 214
Trade and other receivables	69 657	88 208	42 848
Cash and cash equivalents	21 828	24 790	21 860
TOTAL ASSETS	226 329	222 608	198 064
Capital and reserves	130 386	115 631	132 041
<i>Ordinary shareholders' interest</i>	118 162	104 059	118 809
Share capital	16 483	17 578	16 709
Dividend Reserve	118	-	3 245
Non-distributable reserve	3 214	2 711	3 034
Retained earnings	98 347	83 770	95 821
Minority interest in equity	12 224	11 572	13 232
Non - current liabilities	13 721	8 161	9 413
Deferred income tax liabilities	1 389	481	977
Borrowings	12 332	6 325	8 436
Trade and other payables	-	1 355	-
Current liabilities	82 222	98 816	56 610
Trade and other payables	53 787	72 379	42 354
Borrowings	24 705	22 553	13 881
Current income tax liabilities	3 730	3 884	375
TOTAL EQUITY AND LIABILITIES	226 329	222 608	198 064
Net asset value per share (rand)	47.48	41.05	47.59
Tangible net asset value per share (rand)	43.79	36.25	43.53
Total number of shares issued ('000)	2 488	2 535	2 496

	Unaudited 6 months 30 Jun 2013 R'000	Unaudited 6 months 30 Jun 2012 R'000	Audited 12 months 31 Dec 2012 R'000
CONSOLIDATED CASH FLOW STATEMENT			
Cash generated by operating activities	(11 208)	(7 238)	20 942
Cash utilised in investing activities	(3 316)	(3 060)	(26 742)
Cash utilised in financing activities	(220)	(5 438)	(93)
Net increase/(decrease) in cash and cash equivalents	(14 744)	(15 736)	(5 893)
Cash and cash equivalents at beginning of period/year	12 081	17 974	17 974
Cash and cash equivalents at end of period/year	(2 663)	2 238	12 081

The fluctuating nature of Vleissentraal's trade debtors severely impacts on the cash generated by operations. It is therefore difficult to make any meaningful comparisons as debtor levels are seasonal and subject to the auctions being held at month end.


SUBTROPICO LIMITED

(Registration number 1993/000220/06)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Non-distributable reserves	Dividend reserve	Retained Earnings	Total
Balance on 31 December 2012	16 709	3 034	3 245	95 821	118 809
Dividends declared/proposed	-	-	(3 127)	(2 939)	(6 066)
Shares repurchased	(226)	-	-	-	(226)
Profit for the period	-	-	-	6 067	6 067
Adjustments and revaluations	-	180	-	(601)	(421)
Balance on 30 June 2013	16 483	3 214	118	98 348	118 163

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 decreased by 10.75% compared to the prior period as a result of R10 million of turnover not being recorded at Burpak as a result of a change in the company's revenue recognition policy, and R7.6 million of turnover being lost as a result of the discontinuation of Plaasvars. The interim recurring headline earnings of R7.6 million is 41.1% higher than the previous period (R5.4 million). 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 42.4% higher than the prior period with the value of produce sold increasing by 16.6% to R29.4 million (2012: R538.2 million). The profit before tax margin (PBT as a % of the value of produce sold) improved to 1.09% (2012: 0.84%) due to economies of scale, with a market share of 12.92% being achieved on the markets that we are represented on (Dec 2012: 11.94%). Strong vegetable price growth, as a result of muted supply, was experienced following the minimum wage corrections and other inflationary pressures experienced by producers.

Livestock Agents:

The livestock agents' business experienced a difficult six months of trade with the contribution to recurring headline earnings being 26.1% lower than the prior period. Livestock sold on behalf of producers decreased by 13.40% to R1.17 billion (2012: R1.35 billion). The game sales now comprise 20.42% (2012: 23.29%) of total sales but the majority of game auctions only take place in second half of the year. Weaner calf price per kilogram has not yet recovered and has decreased by a further 12.76% to R15.32 p/kg from the R17.56 p/kg at Dec 2012. Decreases in prices and units sold is the direct result of the drought, a sharp increase in supply (but muted demand) and Namibian cattle being sold in South Africa. Rain and tighter border control will aid greatly to improve results in the year ahead.

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

Plaasvars's operations were discontinued in November 2012 and the majority of the assets have now been sold. The Subtropico International Group's contribution to recurring headline earnings was 56.5% higher than the prior period. Margin pressure remains a problem but various initiatives have been put in place to reduce costs, improve productivity and ensure control over the price, availability and sustainability of fresh produce procured. Burpak has returned to profitability despite a lower yielding avocado harvest. Various initiatives to reduce costs and grow business are now coming to fruition. Zedpro has returned to profitability since closing the Potgietersrus packhouse. The future of the Levubu packhouse will be evaluated in the year ahead. KLK Landbou Limited contributed a 21.9% (Dec 2012:21.1%) equity accounted headline earning of R2.9 million to recurring headline earnings for the period. The net profit after tax for their 1st 4 months was 56.29% higher than the prior period with strong performances by SA Dorper, Uppington and Ramskop abattoir, Gordonia Motors and their fuel wholesale division. KLK traditionally experiences a stronger performance during the second half of the year.

Agricultural Equipment:

Earlyworks made a profit before tax of R343,723 (2012: R338,064) for the period and will continue to increase its rental asset base.

Insurance services:

Nature accounted for a 34.46% loss of R2.99 million (2012:R1.17 million loss) in recurring headline earnings for their period ending 31 March 2013 as a result of significant aviation and construction claims being suffered and the cost of still operating a portion of their insurance business via a cell captive arrangement. It will take time, as previously explained, for the new business model to be implemented and for Nature to return to profitability. Aveo's property portfolio has remained profitable and opportunities to add to, or realise value from, the property portfolio are also continually being evaluated.

PROSPECTS

The demand for fresh produce has remained strong for the first half of 2013. Relief is expected from weaner calf price pressure during the second half of the year. Management remains committed to make further investments and improve results during the remainder of 2013. Unless unforeseen circumstances arise, the profitability of the group is expected to improve during the second half of 2013.

DIVIDEND

A dividend of 130 cents per share (2012: 110 cents) was paid on Tuesday, 30 April 2013 to shareholders recorded in the share register at close of business on Tuesday, 23 April 2013. Withholding tax of 15% was deducted and paid over to SARS, resulting in a net dividend of 110.5 cents per share, unless exemption had successfully been applied for.

CAUTIONARY ANNOUNCEMENT

Shareholders are advised that Subtropico has entered into negotiations which if successfully concluded, may have a material effect on the price at which the company's shares are trading. Shareholders are advised to exercise caution when dealing in Subtropico's shares until a further announcement is made.

For and on behalf of the directors at Pretoria on 16 September 2013:

A F OBERHOLZER

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