



SUBTROPICO
INVESTMENT PARTNERS

2016

2016 ANNUAL REPORT





Subtropico's objective is to enhance shareholder wealth through real growth in the group's sustainable earnings and dividends per share by means of organic growth, selective acquisitions and the control of funds employed.



SUBTROPICO LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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SUBTROPICO LIMITED AND ITS SUBSIDIARIES
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016

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

Auditors: MVB

Attorneys: Willemse, Benadé, Venter and/en Davis

Group Bankers: ABSA Bank

Diary:

Final dividend (paid): 28 April 2017

Annual general meeting: 28 July 2017

Interim results: 30 September 2017

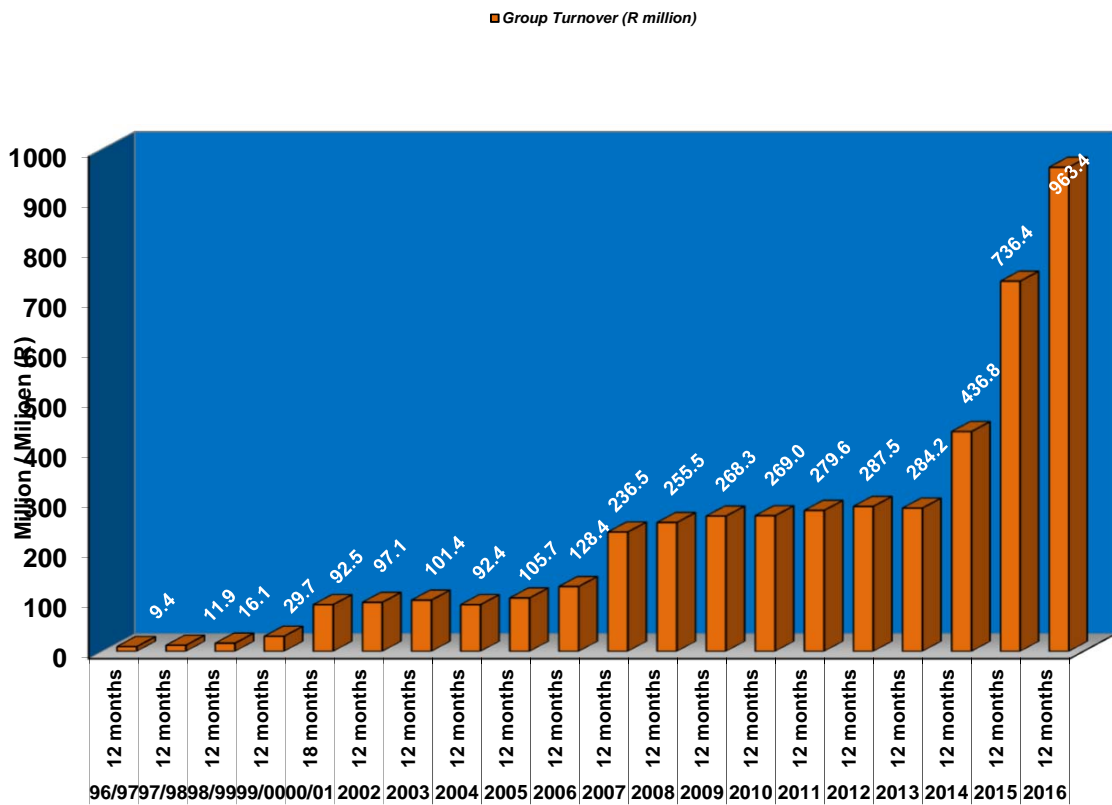
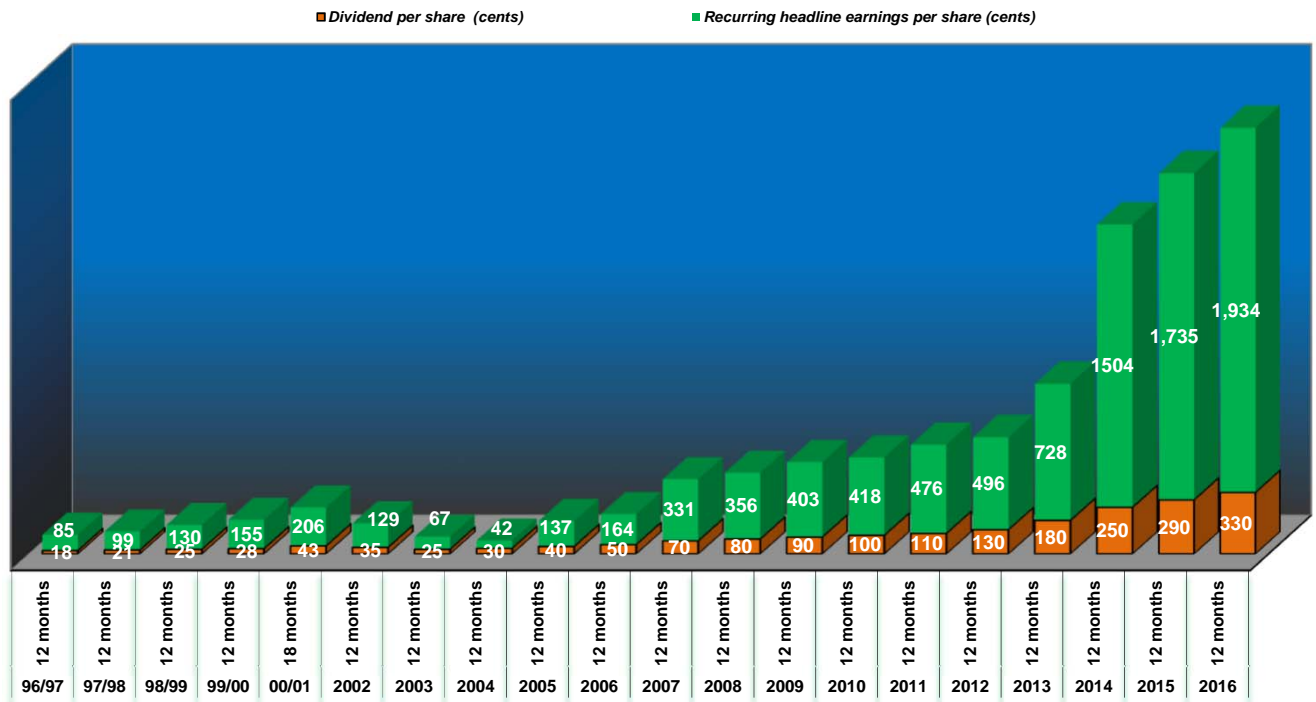
Analysis of shareholding:

	Shareholders Aandehouers	% of Total % van Totaal	Shares Held Aandele Gehou	% of Total % van Totaal
1 - 500	85	35.12%	16,281	0.66%
501 - 1 000	35	14.46%	26,793	1.09%
1 001 - 5 000	84	34.71%	202,632	8.22%
5 001 - 10 000	11	4.55%	66,832	2.71%
10 001 - 50 000	22	9.09%	424,672	17.23%
OVER/MEER AS 50 000	5	2.07%	1,727,628	70.09%
	242	100%	2,464,838	100%

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
GROUP FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015	2014	2013	2012
Revenue (R'000)	963,398	736,373	436,758	284,171	287,545
Profit before tax (R'000)	51,501	52,498	54,261	25,685	23,940
Recurring headline earnings before tax (R'000)	52,798	54,494	47,876	25,849	23,869
Recurring headline earnings (R'000)	47,678	42,384	36,687	18,119	12,511
Recurring headline earnings per share <i>per Subtropico accounting policy</i> (cents)	1,952	1,735	1,504	728	496
Increase in recurring headline earnings per share (%)	12.5	15.4	106.5	46.9	4.1
Dividend per share (cents)					
- Paid	290	250	180	130	110
- Reserve	330	290	250	180	130
Dividend yield (%)	4.71	4.35	7.58	6.67	5.78
Equity attributable to ordinary shareholders (R'000)	245,242	207,913	171,083	136,945	118,809
Net asset value per share (rand)	99.50	84.35	70.11	56.12	47.59
Tangible net asset value per share (rand)	89.11	76.17	63.83	52.47	43.53
Shares last traded at (rand) per share	70.00	66.67	33.00	27.00	22.50
Return on Equity (%) (Recurring headline earnings/Avg. Equity)	21.04	22.37	23.82	14.17	11.16
Debt/Equity ratio ("Gearing")(%) (Non-current + Current borrowings)/Equity)	57.82	42.36	14.11	27.14	18.78

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
GROUP FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2016



SUBTROPICO LIMITED AND ITS SUBSIDIARIES

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

INTRODUCTION

It is a privilege to report on the group's activities for the year ended 31 December 2016.

We achieved a significant growth of 12.5% in recurring headline earnings despite difficult trading conditions.

Fresh produce experienced a very strong price market during the year due to lower volumes as a result of the nationwide drought. Fresh produce prices have however fallen sharply in the 1st quarter of 2017 as wide spread rains brought relief from the drought and an increase in supply. The demand for food and inflationary pressures on various inputs in the agricultural value chain will continue to support commodity prices on the long-term.

INVESTMENT STRATEGY

Subtropico is a long-term investor that offers access to capital as well as being a sound board for entrepreneurs to facilitate 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. | (4) Businesses earning good return on equity. |
| (2) Significant acquisitions. | (5) Motivated management in place. |
| (3) Consistent earnings history and/or growth potential. | (6) Sound and sustainable business models in place or can be implemented. |

1. OPERATIONAL REVIEW

Revenue

The value of goods sold by commission agents on behalf of producers amounted to R6.33 billion (2015: R6.59 billion), which consisted of fresh produce of R2.69 billion (2015: R1.95 billion) and livestock and game of R3.64 billion (2015: R4.64 billion). Group turnover of R963.4 million was achieved (2015: R736.4 million).

Headline earnings

Recurring headline earnings per share increased from 1735 to 1934 cents. The recurring headline earnings per share reconciliation is set out in note 7. Recurring headline earnings was derived from the following sources:

Category	2016		2015		Increase/ (decrease)
	R'000	Contribution	R'000	Contribution	
Subtropico Limited (Head office)	(12,749)		(8,978)		42.0%
Fresh Produce Market Agents ("FPMA")	26,261	43.5%	17,566	34.2%	49.5%
Live stock Agents ("LSA")	18,718	31.0%	21,262	41.4%	-12.0%
Value add ("VA")	14,503	24.0%	12,501	24.3%	16.0%
Financial Services ("FS")	945	1.5%	33	0.1%	2778.1%
Total	47,678	100%	42,384	100%	12.5%



Shareholders' value

The ordinary shareholders' interest has now reached R245.2 million (2015: R207.9 million). Shares traded at R70 per share at year end (2015: R66.67) resulting in a market capitalisation of R172.6 million (2015: R164.3 million).

Subtropico has paid a dividend in each of the 23 years since incorporation. The dividend of 330 cents per share proposed for the year (paid 28 April 2017) 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 R99.50 and the tangible net asset value per share of R89.11 shows that the share price of R70 per share traded at a discount of 29.6% and 21.4% to these values respectively.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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 six subsidiaries: Subtropico Market Agents (Proprietary) Limited, Subtropico Johannesburg (Proprietary) Limited, Citifresh Market Agents (Proprietary) Limited, Spes Bona Market Agency (Proprietary) Limited, Wenpro Market Agents (Proprietary) Limited, G W Poole (Proprietary) Limited and Delta Market Agents (Proprietary) Limited.

The value of produce handled on behalf of producers increased on a year-to-year basis by 38.2% to R2.69 billion (2015: R1.95 billion). The value of produce sold is estimated at 59% vegetables (2015: 57%) and 41% fruit (2015: 43%) and resulted in a market share of 17% (2015: 14.7%) of the total R16.42 billion (2015: R13.69 billion) produce sold on the major national produce markets that we are represented on.

Commission to the value of R190.3 million (2015: R142.9 million), or a growth of 33.1%, was earned by our fresh produce market agencies. The inclusion of Delta Market Agents (Proprietary) Limited from 1 April 2016 contributed significantly to earnings.

Average commission earned as a percentage of the value of produce sold amounted to 7.07% (2015: 7.34%).

The sales comparisons of produce were:

FRUIT	% increase/ (decrease)	2016 R	2015 R	2014 R	2013 R	2012 R
Bananas	66.0%	560 826 623	337 826 330	338 543 658	270 914 219	233 822 856
Apples	4.8%	157 204 425	150 025 297	141 495 546	119 824 102	102 234 095
Citrus	46.4%	88 485 144	60 434 331	56 829 142	34 468 293	29 043 520
Stone fruit	12.2%	62 864 926	56 024 525	53 731 198	38 775 112	31 001 066
Subtropical fruit	21.2%	99 026 547	81 704 894	153 119 982	77 108 284	64 646 657
Other fruit cultivars	-11.9%	126 876 920	143 978 031	115 825 125	90 507 086	82 398 226
TOTAL	32.0%	1,095,284,586	829,993,409	859,544,651	631,597,096	543,146,419
VEGETABLES						
Potatoes	97.5%	495 582 766	250 921 309	273 918 263	266 811 460	207 543 087
Onions	92.1%	186 296 829	97 002 706	100 752 507	105 368 127	89 307 088
Pumpkin cultivars	37.3%	171 118 414	124 599 322	156 257 480	55 176 213	50 645 197
Cabbage cultivars	22.8%	63 694 914	51 884 099	61 096 873	34 126 101	33 849 880
Leaf cultivars	20.7%	40 816 786	33 804 028	36 316 164	15 044 712	16 852 323
Root cultivars	57.3%	216 997 736	137 982 919	156 277 527	86 412 310	54 130 449
Tomatoes	-4.4%	115 887 683	121 230 328	115 700 791	23 617 442	24 324 697
Other vegetable cultivars	1.9%	306 082 587	300 483 199	212 127 229	94 400 075	101 835 840
TOTAL	42.8%	1,596,477,713	1,117,907,910	1,112,446,834	680,956,441	578,488,561
GRAND TOTAL	38.2%	2,691,762,299	1,947,901,319	1,971,991,485	1,312,553,537	1,121,634,980

Strong performances across all markets with Johannesburg, Pretoria, Cape Town, Vereeniging, Springs and East London performing above average.

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

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUBSIDIARIES AND RELATED INVESTMENTS - continued

2.2 Vleissentraal (Proprietary) Limited and subsidiaries

Livestock and other goods auctioned decreased by 21.4% to R3.64 billion (2015: R4.64 billion). Game auction sales now comprise 16.3% (2015: 39.1%) of total sales as a result of a significant deflation of exotic game prices combined with key customers; and some of our marketing staff; starting their own game auctioning company. The average commission rate has remained stable at 4.5% (2015: 3.9%). The value of livestock and other goods sold per region can be broken down as follow:

	% growth	2016		2015	
		R million	% of total	R million	% of total
Vleissentraal Bosveld	-51.9%	1098.9	30.2%	2284.7	49.3%
Vleissentraal Bloemfontein	5.9%	661.6	18.2%	624.8	13.5%
Vleissentraal Klerksdorp	-11.9%	167.7	4.6%	190.3	4.1%
Vleissentraal Noord-Kaap	90.2%	190.8	5.2%	100.3	2.2%
Vleissentraal Ermelo	9.4%	426.2	11.7%	389.6	8.4%
Vleissentraal Bethlehem	15.4%	592.2	16.2%	513.2	11.1%
Vleissentraal Frankfort	-2.7%	264.2	7.2%	271.4	5.9%
Vleissentraal KZN	-7.0%	242.8	6.7%	261.0	5.6%
		<u>3644.4</u>	<u>100.0%</u>	<u>4635.3</u>	<u>100.0%</u>

Weaner calf price per kilogram has ended the year stronger at R23.47 p/kg (2015: R18.47 p/kg). The increase in price and increase in units sold in the 4th quarter of 2016 and the 1st quarter of 2017 is the direct result of the widespread rains and increase in demand.

2.3 Burpak Limited and it's subsidiary

Burpak continues to provide services in an environment where farming production has shrunk after land was 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 and has resulted in the banana ripening unit being closed as it was no longer economically viable.

Burpak's contribution to recurring headline earnings is in line with the prior year as a result of a higher yielding avocado harvest albeit of lower than export quality. The future of Burpak is being assessed.

The following volumes were packed during the past two seasons:

	2016	2015
Avocado (tons)	6,265	3,024
Banana cartons to markets	-	-
Banana cartons ripened	-	-
Litchi (tons)	309	302
Grenadillas (tons)	176	138
Carton box manufacturing unit	2,018,801	1,973,164

2.4 Subtropico International (Proprietary) Limited and subsidiaries

Subtropico International (Proprietary) Limited generated a turnover of R42.4 million (2015: R46.3 million) for the year ended 31 December 2016. The Subtropico International Group's contribution to recurring headline earnings was comparable to the prior year. Losses suffered at the Vioolsdrif and Klappmuts primary production projects are hampering profitability due to the lack of economies of scale. The business model will be restructured and losses curbed in due course. The Greendrop Hydroponics joint venture is already showing positive results at an early stage and the project is poised for expansion. The long term strategic partnerships with and investment in regional producers will result in a larger proportion of reasonably priced vegetables being supplied internally or via predetermined growing programs for a larger portion of the year. Margin pressure from retailers and producers remains a problem but various initiatives are being put in place to reduce costs, increase margins, improve productivity and to ensure greater control over the price, availability and sustainability of fresh produce procured.

2.5 Farmwise Marketing (Proprietary) Limited and subsidiaries

Farmwise has returned to profitability, after a process of restructuring and strategic alignment and has contributed R2.6 million to recurring headline earnings for the year (2015: R0.4 million). The process of streamlining the business, improving margins and unlocking value and synergies within the Subtropico structure is ongoing. A call option to acquire a further 7.38% was exercised in February 2017.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUBSIDIARIES AND RELATED INVESTMENTS - continued

2.6 Natsure Limited

Natsure contributed a 34.46% equity accounted headline profit of R1.0 million (2015: R0.1 million loss) to recurring headline earnings for their financial year ending 30 September 2016 due to a significant improvement in results following the changes made to their business model. The gross written premium base is now fast approaching the levels required to become sustainably. Opportunities to grow Nature's premium and commission base, and add to or realise value from the property portfolio are also continually being evaluated.

2.7 KLK Landbou Limited

Subtropico Limited has been acquiring shares in KLK Landbou Limited since July 2010. Shares traded at R1.90 per share during July 2010 and traded at R12.50 (2015: R10.60) per share at year end. Subtropico Limited holds a 26.1% (2015: 25.1%) interest in KLK at year end. Subtropico is represented on KLK's board and exercises significant influence as KLK's largest shareholder.

KLK Landbou Limited contributed an equity accounted headline earnings of R12.9 million (2015: R13.0 million) for the year.

KLK landbou Limited reported a decrease of 4% in turnover to R2.19 billion (2016: R2.28 billion) for their year ending 28 February 2017. Basic earnings decreased by 9.9% to R 50.1 million (2016: R55.6 million) and the headline earnings per share reduced by 9.8% to 291.6 cents per share (2016: 323.4 cents). The decrease in earnings can be attributed to poorer performances by the motor, abattoir, live stock auction and trade divisions. Carpe Diem Raisins performed better than expected.

A dividend of 65 cents per share (2016: 60 cents) was declared and will be paid on 1 September 2017.

More detailed information about KLK can be found on their website: <http://www.klk.co.za>.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

3. CORPORATE GOVERNANCE

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

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

On 31 December 2016 the board comprised three executive and six non-executive directors.

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

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

Three committees have been established and operate within the terms of reference defined by the Companies Act 2008 and the board. Committees have the right to investigate any matter within their written mandates.

These committees are the Audit Committee, the Remuneration Committee and the Risk Committee. Three non-executive directors comprise the Audit Committee and two non-executive directors comprise the Remuneration Committee. The Risk Committee comprises two executive directors and a director of a subsidiary.

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 chair and serve on the audit committee. We are privileged to have such high calibre individuals serving on our board.

During 2015 we started providing administration and advertising assistance, trust fund management, training and marketing to Egoly Market Agents, following the acquisition of Wenpro Market Agents.

The Amended Codes of Good Practice, gazette No 36928, came into effect on the 1st of May 2015. During 2016 the Subtropico Group obtained verifications for selected subsidiaries, ranging between Level 5 and Level 8, under the old code that has now been superseded. The 2017 verification will be completed before the end of September 2017 and will be in compliance with the new Code (in terms of the Broad-Based Black Economic Empowerment Act, 2015 (Act No. 46 of 2015) and is expected to be an improvement on the previous verifications.

5. DIVIDENDS

A dividend of 330 cents per share (2015: 290 cents) was declared and paid on Friday, 28 April 2017 to shareholders recorded in the share register at close of business on Friday, 21 April 2017. Withholding tax of 20% was deducted and paid over to SARS, resulting in a net dividend of 264 cents per share, unless exemption has successfully been applied for.

6. FUTURE PROSPECTS

The strong price market of fresh produce is expected to weaken following country wide rains and the resulting improved supply. Livestock prices have strengthened even further during the 1st quarter of 2017 as the lower cost of feed and improved grazing are fueling the demand for weaner calves. Game prices have continued to weaken with the supply of exotic game exceeding demand and new competition entering this market segment. Management remains committed to improving results by organic growth and acquisition during 2017. Unless unforeseen circumstances arise, the profitability of the group is expected to improve during 2017.

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.



AF OBERHOLZER
Chairman

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
**STATEMENT OF DIRECTORS' RESPONSIBILITY/
CERTIFICATE BY THE COMPANY SECRETARY**
FOR THE YEAR ENDED 31 DECEMBER 2016

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 13 to 42 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 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 the 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 annual report 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, who were 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 12 June 2017 and are signed on its behalf by:



A F OBERHOLZER
Chairman
12 June 2017



B P BOTHA
Executive Director
12 June 2017

CERTIFICATE BY THE COMPANY SECRETARY

In our opinion as company secretary, We hereby confirm, in terms of the South African Companies Act 71 of 2008, that for the year ended 31 December 2016, the company has lodged with the Companies and Intellectual Property Commission 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.



Statucor (Pty) Ltd
Secretary
12 June 2017

These annual financial statements have been prepared under the supervision of the Chief Financial Officer, Burger Botha CA(SA). These annual financial statements have been audited by MVB in terms of section 30(2) of the Act.



GEREGISTREERDE REKENMEESTERS EN OUDITEURE
REGISTERED ACCOUNTANTS AND AUDITORS

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Our Ref:
Ons Verw:



Your ref:
U Verw:

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Subtropico Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Subtropico Limited and its subsidiaries set out on pages 14 to 43, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

PARTNERS - JC ERLANK • TJ O'NEIL • L MALIC • JG DE WAAL - VENNOTE
ASSISTED BY - AF VAN TONDER GR/CA (SA) • JP LA GRANGE GR/CA (SA) • GR BRUNI GR/CA (SA) - BYGESTAAN DEUR
(Practising independently of any other firm / Praktiseer onafhanklik van enige ander firma)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



JC Erlank
Partner
Registered Auditor

12 June 2017
Pretoria

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

REPORT OF THE GROUP AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2016

Appointment of the Committee

The Subtropico Limited Group Audit Committee is a statutory committee appointed for all companies in the Subtropico Group which are required to have an Audit Committee, by the shareholders of the company for the year ended 31 December 2016 at the Annual General Meeting of the company on 29 July 2016.

Members of the Committee

The members of the Committee are Ms.MAF Moja, Mr.CFP van Dyk and Prof. S Vil-Nkomo. All three are Directors of Subtropico Limited, and they are independent in terms of the requirements prescribed for members of an audit committee by the Companies Act 2008 ("the Act"). Between them they have considerable experience and academic qualifications in the fields prescribed by the Act Regulations.

Key duties of the Committee

The key duties are to:

- nominate for appointment as auditor a registered auditor whom the Committee considers is independent
- determine the auditor's fees and terms of engagement
- determine the nature and extent of non-audit services the auditor may provide
- present a Report in the financial statements as required by the Act
- deal with any complaints regarding the company's accounting practices, financial statements, accounting policies and financial controls

The 2016 group financial statements, the interim financial statements and the provisional results were reviewed, considered and approved by the full Subtropico Board. There was nothing which the Committee wished to add to this review and approval.

Operation of the Committee

The Committee carried out its functions, inter alia, by:

- considering and nominating for appointment in 2017 an auditor of the group companies whom the Committee considers both complies with all the independence criteria and is an appropriate appointment taking all the relevant circumstances into account
- meeting with Group Management and the Chief Financial Officer, and communicating with them and each other in person, telephonically and electronically regarding the relevant issues
- meeting with the external Audit Partners and discussing all the process, progress and relevant issues of the audit with them
- reviewing key documents such as the Auditor's terms of engagement, the Group Audit Instructions and the Auditors' Independence Confirmation
- reviewing and approving the Auditors' fees
- reviewing, considering and approving the non-audit services carried out by the Auditors
- reviewing and considering the accounting framework adopted by the Group and its accounting policies
- satisfying itself by discussion and consideration that there are no significant internal control or risk weaknesses in the Group
- considering and determining that the Chief Financial Officer, Mr. BP Botha, has the appropriate expertise and experience to fulfil his role

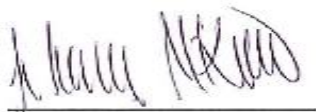
There were no complaints regarding the Group's accounting practices, financial statements, accounting policies and financial controls.

Nomination for appointment as Auditor

After due consideration the Committee nominates for appointment as Auditor for the year ending 31 December 2017:

- MVB for reappointment as Auditor of all the Group entities it audited in 2016
- for reappointment as Auditors, the other Auditors who audited Group subsidiaries in 2016

The Committee is satisfied that the 2016 Auditors and the Auditors nominated for appointment in 2017 comply with the independence criteria set out in the Act, and as determined by the Independent Regulatory Board of Auditors.



Prof S Vil-Nkomo
Chairman of the Committee
12 June 2017

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016.

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, associates, 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.
- G W Poole (Proprietary) Limited undertakes the marketing of fresh produce at the Pietermaritzburg Fresh Produce Market.
- Wenpro Market Agents (Proprietary) Limited undertakes the marketing of fresh produce at the Johannesburg Fresh Produce Market.
- Delta Market Agents (Proprietary) Limited undertakes the marketing of fresh produce at the Durban Fresh Produce Market.
- Earlyworks 216 (Proprietary) Limited undertakes the selling of used parts and the renting out of assets used in the agricultural industry.

Livestock Agents

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

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

- Burpak Limited undertakes the packaging of avocados, litchis and other subtropical fruit at Hazyview.
- Subtropico International (Proprietary) Limited undertakes the processing, packaging and trading of agricultural produce to retail and wholesale clients.
- KLK Landbou Limited is a diversified agricultural services company based in Upington (Northern Cape).
- Farmwise Marketing (Proprietary) Limited undertakes the processing, packaging and trading of agricultural produce to retail and wholesale clients.
- Papillon (Proprietary) Limited undertakes the wholesale and distribution of fine fragrances and cosmetics via a distributor network nationwide.

Financial Services

- Yabeng Investment Holding Company Limited is an investment holding company.
- The Natsure Group is a diversified financial services group focussing on the short term insurance and property industries and comprises three distinct divisions, namely:
 - Insurance underwriting on behalf of strong international brands
 - Property management and development through Natsure Property Investment Company (Proprietary) Limited; and
 - The establishment and management of strategic investment holdings in its insurance UMA partners.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. FINANCIAL RESULTS

The consolidated profit for the year attributable to equity holders of the company, amounted to R41.4 million (2015: R39.1 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 68.6% from R436.8 million to R736.4 million.

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

	% of Total Turnover	Year ended 2016 R'000	Year ended 2015 R'000	Year ended 2014 R'000
Subtropico Limited		-	-	
<u>Fresh Produce Market Agents</u>	28%	273,561	196,770	200,488
Subtropico Market Agents (Proprietary) Limited		88,596	69,811	72,349
Subtropico Johannesburg (Proprietary) Limited		14,151	13,770	12,661
Spes Bona Market Agency (Proprietary) Limited		15,950	9,919	9,641
G W Poole (Proprietary) Limited		6,301	5,648	5,516
Citifresh Market Agents (Proprietary) Limited		4,883	3,963	4,363
Wenpro Market Agents (Proprietary) Limited		130,037	93,488	95,826
Delta Market Agents (Proprietary) Limited		13,438	-	-
Subtropico Plaasvars Produkte (Proprietary) Limited		-	-	-
Earlyworks 216 (Proprietary) Limited		205	170	132
<u>Livestock Agents</u>	19%	179,640	204,374	164,615
Vleissentraal (Proprietary) Limited and subsidiaries		179,640	204,374	164,615
<u>Value add (Processing, Packing, Wholesale and Retail of fresh produce)</u>	53%	510,198	335,229	71,655
Zedpro (Proprietary) Limited		-	-	1,926
Burpak Limited		22,184	19,574	25,024
Subtropico International (Proprietary) Limited and subsidiaries		42,439	46,314	44,502
Farmwise Marketing (Proprietary) Limited and subsidiaries		444,949	269,055	-
Papillon (Proprietary) Limited		626	286	203
	100%	963,398	736,373	436,758

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 290 cents per share was declared and paid during the year (2015: 250 cents per share).

Provision has been made for a dividend of 330 cents per share (2015: 290 cents per share) out of current profits to be paid in the 2016 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 (2015: 3 000 000) ordinary shares of no par value.

The issued share capital is 2 464 838 (2015: 2 464 838) ordinary shares of no par value.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 ³	(Chief Financial Officer)	³ Members of Risk Committee
M A F Moja ¹		
J S Pieterse ²		
C F P van Dyk ^{1,2}		
C J van Dyk		
S Vil-Nkomo ¹		
A Vos ³		

The secretary of the company is Statucor (Pty) Ltd, whose business and postal addresses are:

Business address:	Postal address:
Summit Place Office Park	PO Box 95436
221 Garsfontein Road	Waterkloof
Building 5, 2nd floor	0145
Menlyn	Email: crisna@statucor.co.za
Pretoria	Telephone number: +27 10 060 5500
0181	

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.

9. BOARD REPORT ON RISK MANAGEMENT

Risk management processes

The Board of Subtropico Limited has adopted a Charter creating The Risk Committee of the company and its subsidiaries. Both of Subtropico's associated companies have their own developed risk management processes. The Charter clearly sets out Subtropico's risk management policies, and the objectives and functions of the Risk Committee. These policies, plans and functions are reviewed annually.

Effective risk assessments, responses and interventions

The Board satisfies itself that risk assessments, responses and interventions are effective, firstly by meeting four times a year and thoroughly considering all aspects of the group's business and the detailed reports from management. Any specific risk issues requiring attention are addressed by the Board and the necessary action is taken.

Secondly, the Risk Committee reports to the Board in comprehensive detail at least once a year on its risk management processes and conclusions. The Board addresses any issues arising out of the report which require specific attention.

Thirdly, the Board takes note of the independent review of the integrity and robustness of the group's system of internal controls and risk management by the group's Audit Committee and by the external auditors.

Effective risk management processes

In the opinion of the Board the group's risk management processes, including those of associates within the group, are effective.

There are no current, imminent or envisaged risks that may threaten the long-term sustainability of the company or the group.

The group has undertaken no undue, unexpected or unusual risks in the pursuit of reward.

The company and its subsidiaries have suffered no material losses.

10. AUDITORS

The Group Audit Committee's nominations for appointment as auditors in 2017 are set out in its report on page 13.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

Company			Consolidated	
2016	2015		2016	2015
R'000	R'000	Notes	R'000	R'000
173,899	105,919		303,409	265,895
		ASSETS		
		Non-current assets		
1,135	1,043	Property, plant and equipment	8	99,812
2,500	2,500	Investment properties	9	36,798
92,564	39,948	Investments in subsidiaries	10	-
75,590	60,319	Investments in associates	11	99,084
-	-	Investments in joint ventures	11	810
2,110	2,110	Other financial assets	12	24,724
-	-	Intangible assets	13	25,612
-	-	Deferred income tax assets	19	16,453
-	-	Trade and other receivables	16	116
34	308	Current assets		272,962
-	-	Current income tax assets		3,595
-	-	Other financial assets	12	1,857
-	-	Biological assets	14	754
-	-	Inventories	15	11,153
34	308	Trade and other receivables	16	213,980
-	-	Cash and cash equivalents	17	41,623
<u>173,933</u>	<u>106,227</u>	TOTAL ASSETS		<u>576,371</u>
		EQUITY		
		Capital and reserves attributable to equity holders		
16,972	16,972	Share capital	18	245,242
8,134	7,148	Dividend reserve		207,912
-	-	Non-distributable reserve		16,972
72,612	61,181	Retained earnings		8,134
-	-	Minority interest in equity		7,148
<u>97,718</u>	<u>85,301</u>	TOTAL EQUITY		<u>3,619</u>
		LIABILITIES		
		Non-current liabilities		
6,315	4,480	Deferred income tax liabilities	19	52,238
6,315	4,480	Borrowings	20	39,294
-	-	Current liabilities		
69,900	16,445	Trade and other payables	21	247,194
2,448	2,368	Borrowings	20	146,023
67,452	14,079	Current income tax liabilities		99,328
-	-	TOTAL EQUITY AND LIABILITIES		1,843
<u>173,933</u>	<u>106,227</u>			<u>452,356</u>

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

Company			Consolidated	
2016	2015		2016	2015
R'000	R'000	Notes	R'000	R'000
539	505	Revenue	963,398	736,373
-	-	Cost of sales	(423,666)	(273,841)
539	505	Gross profit	539,732	462,532
7,346	7,511	Other operating income	26,750	27,144
(6,955)	(6,711)	Administrative and operating expenses	(514,539)	(443,122)
929	1,305	Profit/(loss) from operating activities	51,943	46,554
21,608	13,212	Profit from investment activities	1,754	1,551
22,537	14,517	Operating profit	53,697	48,105
5,899	3,259	Finance income	16,217	13,836
(7,035)	(3,182)	Finance cost	(18,414)	(9,443)
(1,137)	77	Finance income - net	(2,196)	4,393
21,400	14,594	Profit before income tax	51,501	52,498
(1,835)	(1,210)	Income tax expense	(14,673)	(15,263)
19,565	13,385	Profit after income tax	36,828	37,235
-	-	Share of profit of associates	13,851	13,688
19,565	13,385	Profit for the year from continuing operations	50,679	50,923
-	-	Loss for the year from discontinued operations	-	(2,357)
19,565	13,385	Profit for the year	50,679	48,566
Profit for the year attributable to:				
19,565	13,385	Equity holders of the company	45,283	40,519
-	-	Minority interest	5,396	8,047
19,565	13,385		50,679	48,566
801	548	Basic earnings per share (cents)	1,854	1,659
801	548	Recurring headline earnings per share (cents)	1,952	1,735
290	250	Dividend per share (cents)	290	250

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

Company			Notes	Consolidated	
2016 R'000	2015 R'000			2016 R'000	2015 R'000
		Share capital			
		Ordinary shares			
16,973	15,321	At beginning of year	16,973	15,321	
-	1,652	Shares issued	-	1,652	
-	-	Shares repurchased	-	-	
<u>16,973</u>	<u>16,973</u>	At end of year	<u>16,973</u>	<u>16,973</u>	18
		Non-distributable reserve			
-	-	At beginning of year	3,619	3,034	
-	-	Revaluation	-	585	
<u>-</u>	<u>-</u>	At end of year	<u>3,619</u>	<u>3,619</u>	
		Dividend reserve			
7,148	6,100	At beginning of year	7,148	6,100	
8,134	7,148	Transfer from retained earnings	8,134	7,148	
<u>(7,148)</u>	<u>(6,100)</u>	Dividends declared (ordinary dividend)	<u>(7,148)</u>	<u>(6,100)</u>	6
<u>8,134</u>	<u>7,148</u>	At end of year	<u>8,134</u>	<u>7,148</u>	
		Retained earnings			
61,181	54,944	At beginning of year	180,173	146,628	
-	-	Correction of opening balance	(805)	175	
19,565	13,385	Profit for the year attributable to equity holders	45,283	40,519	
-	-	Capital distribution	-	-	
<u>(8,134)</u>	<u>(7,148)</u>	Transfer to dividend reserve	<u>(8,134)</u>	<u>(7,148)</u>	
<u>72,612</u>	<u>61,181</u>	At end of year	<u>216,517</u>	<u>180,173</u>	
		Minority interest			
-	-	At beginning of year	31,685	20,828	
-	-	Correction of opening balance	-	8	
-	-	Profit for the year attributable to minority shareholders	5,396	8,047	
-	-	Net change in shareholding during the year	(152)	6,692	
<u>-</u>	<u>-</u>	- Investment in subsidiary	<u>-</u>	<u>6,491</u>	
<u>-</u>	<u>-</u>	- Share of existing minorities	<u>(152)</u>	<u>202</u>	
<u>-</u>	<u>-</u>	Dividends declared	<u>(5,232)</u>	<u>(3,891)</u>	
<u>-</u>	<u>-</u>	At end of year	<u>31,697</u>	<u>31,685</u>	

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

Company			Consolidated	
2016	2015		2016	2015
R'000	R'000	Notes	R'000	R'000
Cash flows from operating activities				
1,475	2,323	Cash generated by/(utilised) in operations	20,882	48,106
5,899	3,259	Interest received	15,616	11,950
(7,035)	(3,182)	Interest paid	(18,414)	(9,443)
(7,148)	(6,100)	Dividends paid to ordinary shareholders	(7,148)	(6,100)
-	-	Tax paid	(17,853)	(19,714)
<u>(6,810)</u>	<u>(3,699)</u>	Net cash generated by/(utilised in) operating activities	<u>(6,916)</u>	<u>24,798</u>
Cash flows from investing activities				
(283)	(38)	Acquisition of property, plant and equipment	(18,254)	(78,105)
-	-	Acquisition of intangible assets	(9,268)	(7,818)
-	-	Proceeds on disposal of property, plant and equipment	4,308	6,243
-	-	Proceeds on disposal of intangible assets	75	489
-	-	Acquisition of and expenditure on investment property	-	(9,496)
(5,644)	(3,609)	Acquisition of an investment in an associate	(5,255)	(3,645)
-	-	Acquisition of an investment in a joint venture	(597)	(213)
(59,138)	(8,663)	Movement in investments in subsidiaries	(6,189)	2,985
-	-	Acquisition of other financial assets	(270)	(58)
33	4,196	Loans and receivables repaid	(1,164)	1,023
-	-	Proceeds on disposal of other financial assets	264	-
18,386	8,085	Dividends received	-	-
82	162	Other investment income	-	-
<u>(46,563)</u>	<u>134</u>	Net cash generated by/(utilised in) investing activities	<u>(36,350)</u>	<u>(88,595)</u>
Cash flows from financing activities				
-	-	Proceeds from borrowings	1,740	39,642
-	-	Purchase of own shares	-	-
-	-	Issue of shares	-	1,651
<u>-</u>	<u>-</u>	Net cash (utilised in)/generated by financing activities	<u>1,740</u>	<u>41,294</u>
Net increase/(decrease) in cash and cash equivalents				
(53,374)	(3,566)		(41,526)	(22,503)
(14,078)	(10,512)	Cash and cash equivalents at beginning of year	(4,124)	18,379
<u>(67,452)</u>	<u>(14,078)</u>	Cash and cash equivalents at end of year	<u>(45,650)</u>	<u>(4,124)</u>

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

SUMMARY OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2016

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.

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 is 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 2016

4. PROPERTY, PLANT AND EQUIPMENT - continued

Property plant and equipment, excluding leasehold improvements, is 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 licences and customer related intangible assets represents the purchase price of licences 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.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

SUMMARY OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2016

10. INVENTORIES

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

11. TRADE RECEIVABLES

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

12. SHARE CAPITAL

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

13. BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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 useful life of the asset unless uncertainty exists whether ownership passes to the company and group at the end of 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.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES

SUMMARY OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2016

17. DEFERRED TAX

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

18. REVENUE RECOGNITION

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

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

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

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

19. DIVIDEND DISTRIBUTION

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

20. HEADLINE EARNINGS

In the spirit of consistent and transparent communication to stakeholders, we introduced the recurring headline earnings concept as the predominant measure of Subtropico's financial performance during the 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, the fair value movements of financial instruments and amortisation charges of goodwill and intangibles assets in order to provide a more reliable outcome and to be consistent with prior years.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
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FOR THE YEAR ENDED 31 DECEMBER 2016

Company			Consolidated	
2016	2015		2016	2015
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:				
191	190	Depreciation on property, plant and equipment (A detailed breakdown of the depreciation expense is presented in note 8).	11,170	9,966
187	200	Auditor's remuneration	2,130	1,884
187	200	Audit fees - current year	2,130	1,884
-	-	Profit on disposal of property, plant and equipment	(1,201)	(1,885)
4,776	4,299	Directors' remuneration	30,758	31,061
300	319	Fees	861	1,380
4,475	3,980	Salaries	29,897	29,681
149	403	Fees relating to non-employees	2,728	1,586
149	403	Consulting fees	2,728	1,586
89	153	Staff costs (see note 3) - excl. directors' remuneration	201,487	173,953
-	-	Operating lease payments	4,180	3,474
-	-	Amortisation of intangible assets (note 13)	3,166	2,488
2. PROFIT FROM INVESTMENT ACTIVITIES				
(4,307)	2,798	Reversal of /(Impairment) of investments (note 10 and Fair value adjustment on investment property (note 9)	25	56
-	-	Fair value adjustment on insurance assets (note 12)	-	-
-	-	Fair value adjustment to other financial assets (note 12)	1,555	1,222
-	-	Fair value adjustment to investments in associates	(221)	(3)
10,019	4,163	Dividends received	-	-
15,780	6,088	Profit/(Loss) on the disposal of other financial assets	110	114
33	-	Other	203	-
82	163		82	163
21,608	13,212		1,754	1,551

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FOR THE YEAR ENDED 31 DECEMBER 2016

Company			Consolidated	
2016 R'000	2015 R'000		2016 R'000	2015 R'000
		3. STAFF COSTS		
89	153	Salaries and wages	201,487	173,953
		4. FINANCE INCOME		
-	3	Interest received - Bank	2,906	3,109
126	99	- Other	10,980	10,602
5,772	3,157	- Related parties	2,331	125
5,899	3,259		16,217	13,836
		FINANCE COST		
(6,348)	(2,285)	Interest paid - Bank	(17,399)	(8,706)
-	-	- Other	(162)	(364)
(688)	(897)	- Related parties	(852)	(374)
(7,035)	(3,182)		(18,414)	(9,443)
		5. TAX		
-	-	Current tax	15,666	15,973
1,835	1,210	Deferred tax	(1,001)	(720)
-	-	Ad Valorem tax	22	9
-	-	(Overprovision)/underprovision for tax	(14)	-
1,835	1,210		14,673	15,263
		6. DIVIDENDS		
7,148	6,100	Ordinary dividend of 290 cents per share (2015: 250 cents per share)	7,148	6,100

Provision has been made for a dividend of 330 cents per share (2015: 290 cents per share) out of current profits to be paid in the 2017 financial year. This provision has been included in the balance sheet as a dividend reserve.

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

7. EARNINGS PER ORDINARY SHARE	2016	2015				
	R'000	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	45,283	40,519				
Weighted average number of ordinary shares in issue (thousands)	2,442	2,442				
Basic earnings per share (c per share)	1,854	1,659				
(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	47,678	42,384				
Weighted average number of ordinary shares in issue (thousands)	2,442	2,442				
Recurring headline earnings per share (c per share)	1,952	1,735				
Reconciliation between recurring headline earnings and basic earnings of the group:						
	Profit before tax	Tax	Minority interest	Share of profit/(loss) of associates	Loss made by discontinued operations	Net Income
31 December 2016	R'000	R'000	R'000	R'000	R'000	R'000
According to financial statements	51,502	(14,673)	(5,396)	13,851	-	45,284
Adjustments:						
Profit on disposal of property, plant and equipment	(998)	279	218	-	-	(500)
(Profit)/Loss on disposal of other financial	(203)	41	50	-	-	(112)
Impairment loss/(reversal)	75	-	(31)	-	-	44
Fair value adjustments to other financial assets	-	-	-	-	-	-
Fair value adjustments to investment properties	-	-	-	-	-	-
Fair value adjustments to insurance assets	(1,334)	374	454	-	-	(506)
Amortisation of goodwill and intangible assets	3,756	-	(287)	-	-	3,469
Loss made by discontinued operations	-	-	-	-	-	-
Recurring headline earnings	52,798	(13,979)	(4,993)	13,851	-	47,678
Recurring headline earnings per share (c per share)						1,952
	Profit before tax	Tax	Minority interest	Share of profit/(loss) of associates	Loss made by discontinued operations	Net Income
31 December 2015	R'000	R'000	R'000	R'000	R'000	R'000
According to financial statements	52,498	(15,263)	(8,047)	13,688	(2,357)	40,519
Adjustments:						
Profit on disposal of property, plant and equipment	(1,885)	528	552	-	-	(806)
(Profit)/Loss on disposal of other financial	-	-	-	(165)	-	(165)
Impairment loss	(56)	-	20	-	-	(36)
Fair value adjustments to other financial assets	3	(1)	-	-	-	2
Fair value adjustments to investment properties	-	-	-	(943)	-	(943)
Fair value adjustments to insurance assets	(1,222)	410	51	608	-	(153)
Amortisation of goodwill and intangible assets	2,488	-	-	-	-	2,488
Loss made by discontinued operations	2,669	(747)	(879)	-	435	1,478
Recurring headline earnings	54,494	(15,073)	(8,303)	13,187	(1,922)	42,384
Recurring headline earnings per share (c per share)						1,735

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. EARNINGS PER ORDINARY SHARE - continued

2016
R'000

2015
R'000

Company

(a) Basic earnings per share

Basic earnings per ordinary share is calculated by dividing the profit for the year attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

Profit for the year attributable to equity holders of the company	19,565	13,385
Weighted average number of ordinary shares in issue (thousands)	2,442	2,442
Basic earnings per share (c per share)	801	548

(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	19,565	13,385
Weighted average number of ordinary shares in issue (thousands)	2,442	2,442
Recurring headline earnings per share (c per share)	801	548

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

	Profit from ordinary activities R'000	Tax R'000	Net income R'000
31 December 2016			
According to financial statements	21,400	(1,835)	19,565
Recurring headline earnings	21,400	(1,835)	19,565
Recurring headline earnings per share (c per share)			801

	Profit from ordinary activities R'000	Tax R'000	Net income R'000
31 December 2015			
According to financial statements	14,594	(1,210)	13,385
Recurring headline earnings	14,594	(1,210)	13,385
Recurring headline earnings per share (c per share)			548

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
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8. PROPERTY, PLANT AND EQUIPMENT	Freehold land and buildings	Furniture, machinery and equipment	Ripening rooms	Forklifts	Motor vehicles	Computers	Total
Consolidated	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 31 December 2016							
Opening net book amount	57,814	15,417	3,136	4,222	13,166	2,181	95,936
Restatement of opening balance	-	-	-	-	-	-	-
Additions	403	3,581	1,404	4,404	7,031	832	17,655
Acquisition of subsidiary	-	4	-	472	101	22	599
Disposals	-	(362)	-	(478)	(2,234)	(33)	(3,107)
Depreciation charge	(231)	(3,545)	(770)	(2,062)	(3,895)	(768)	(11,271)
Net book value end of year	57,986	15,095	3,770	6,558	14,169	2,234	99,812
Cost	61,739	42,958	8,826	14,579	25,541	7,085	160,728
Accumulated depreciation	(3,753)	(27,863)	(5,056)	(8,021)	(11,372)	(4,851)	(60,916)
Net book value end of year	57,986	15,095	3,770	6,558	14,169	2,234	99,812
Consolidated							
Year ended 31 December 2015							
Opening net book amount	11,380	7,530	3,448	1,619	7,559	644	32,180
Restatement of opening balance	(225)	-	-	-	-	-	(225)
Additions	5,741	3,789	85	1,968	5,427	698	17,708
Acquisition of subsidiary	42,041	10,959	-	-	5,627	1,995	60,622
Disposals	(883)	(830)	-	(69)	(2,155)	(421)	(4,358)
Reclassification	-	(2,541)	295	2,231	15	-	-
Depreciation charge	(240)	(3,490)	(692)	(1,527)	(3,307)	(735)	(9,991)
Net book value end of year	57,814	15,417	3,136	4,222	13,166	2,181	95,936
Cost	61,336	42,015	7,440	12,111	23,399	6,731	153,032
Accumulated depreciation	(3,522)	(26,598)	(4,304)	(7,889)	(10,233)	(4,550)	(57,096)
Net book value end of year	57,814	15,417	3,136	4,222	13,166	2,181	95,936
Company							
Year ended 31 December 2016							
Opening net book amount		70	-	-	951	22	1,043
Additions		269	-	-	-	14	283
Depreciation charge		(39)	-	-	(144)	(8)	(191)
Net book value end of year		299	-	-	807	28	1,135
Cost		815	-	-	1,118	153	2,086
Accumulated depreciation		(515)	-	-	(311)	(125)	(951)
Net book value end of year		300	-	-	807	28	1,135
Company							
Year ended 31 December 2015							
Opening net book amount		84	-	-	1,095	16	1,195
Additions		26	-	-	-	12	38
Depreciation charge		(40)	-	-	(144)	(6)	(190)
Net book value end of year		70	-	-	951	22	1,043
Cost		546	-	-	1,118	139	1,802
Accumulated depreciation		(476)	-	-	(167)	(116)	(760)
Net book value end of year		70	-	-	951	22	1,043

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Company			Consolidated	
2016 R'000	2015 R'000	8. PROPERTY, PLANT AND EQUIPMENT - continued	2016 R'000	2015 R'000
		Freehold land and buildings comprise the following properties:		
-	-	Portion 31 of the farm Evert with improvements	3,293	3,293
-	-	Portion 120 (a portion of portion 111) 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, District Bethlehem and Erf 311 Freestate Province	1,002	1,059
-	-	Scheme nr 1, Fairhaven Small Holdings, District Bloemfontein	3,076	3,076
-	-	Belfast auction complex, Portion 35 (a portion of portion 12) of the farm Paardeplaats 380	75	75
-	-	Erf 6519, Piet Potgietersrust Township, Limpopo	1,260	1,350
-	-	Portion 119 (a portion of portion 67) of the farm Beestekraal 199	420	450
-	-	Portion 5 of Erf 161, Ermelo Township, Mpumalanga	649	703
-	-	Farm 909, District Reivilo	1,118	714
-	-	Stand 1763, Louwardia ext 47 (1.2 ha) with improvements	42,041	4,729
-	-	Portion 20 and 21 of Farm no 187, district Kimberley, Title deed no T84/2015	4,729	42,041
-	-	Vleissentaal KZN (Proprietary) Limited - other	-	-
-	-	Net book value end of year	57,986	57,814
		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).		
		Stand 1763, Louwardia ext 47 (1.2 ha) with improvements is encumbered as security for the mortgage bond and medium term loan (refer to note 19).		
		9. INVESTMENT PROPERTIES		
		The following properties have been classified as investment property:		
-	-	Parkland no. 2, New Muckleneuk, Pretoria	1,800	1,800
2,500	2,500	Parkland no. 5, New Muckleneuk, Pretoria	2,500	2,500
-	-	Erf 56, Hazyview, Mpumalanga	520	520
-	-	Portion 6 of the farm Bronkhorst no.748, Paarl	19,490	19,490
-	-	Erf 20 and 125 of the Nama Settlement, Violsdrif, Northern C	3,152	3,152
-	-	Erf 164,191 & 267 of the Violsdrift Settlement, Northern Cape	2,231	2,231
-	-	Erf 925, Louwardia, Extension 35	7,105	7,105
2,500	2,500		36,798	36,798
		Parkland no. 5 was valued by a professional valuer and the directors on 31 December 2010 (Parkland no. 2 on 31 December 2016) at open market value. Portion 6 and Erf 20 & 125 were valued by the directors on 31 December 2015. Erf 56 was valued by a professional valuer and the directors on 31 December 2012.		
		Consolidated:		
		Portion 6 of the farm Bronkhorst no.748, Paarl is encumbered as security for the mortgage bond (refer to note 19).		
2,500	2,500	At beginning of year	36,798	26,717
-	-	Fair value adjustments (note 2)	-	585
-	-	Additions and expenses capitalised	-	9,496
2,500	2,500	At end of year	36,798	36,798

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. INVESTMENTS IN SUBSIDIARIES	Company	
	2016 R'000	2015 R'000
Unlisted		
At beginning of year	39,948	31,194
Capital reduction of investment in subsidiary	-	145
Impairment of investment in subsidiaries recognised in current year	(6,521)	2,635
Investment in subsidiaries	-	10,170
Movement in loans to subsidiaries (see below)	59,137	(4,196)
At end of year	<u>92,564</u>	<u>39,948</u>
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	-	-
Earlyworks 216 (Proprietary) Limited	3,728	3,284
- Cost of investment in shares	-	-
- Loan account	3,728	3,284
Papillon (Proprietary) Limited	350	300
- Cost of investment in shares	479	479
- Loan account: Agri Bid Auctions and Sales (Proprietary) Limited	1,163	1,163
- Loan account: Papillon (Proprietary) Limited	350	300
- Less: Impairment charge	(1,642)	(1,642)
Burpak Limited	3,822	3,640
- Cost of investment in shares	1,540	1,540
- Loan account	2,282	2,100
Burpak Dagama Avocado Oils (Proprietary) Limited	307	307
- Cost of investment in shares	145	145
- Loan account	162	162
Subtropico International (Proprietary) Limited	4,073	5,499
- Cost of investment in shares	450	450
- Loan account	3,623	5,049
Yabeng Finance (Proprietary) Limited	6,643	3,665
- Cost of investment in shares	-	-
- Loan account	6,643	3,665

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
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	Company	
	2016 R'000	2015 R'000
10. INVESTMENTS IN SUBSIDIARIES - continued		
Subtropico Farmfresh (Proprietary) Limited	2,061	1,400
- Cost of investment in shares	-	-
- Loan account	2,061	1,400
Farmwise Marketing (Proprietary) Limited	17,243	13,108
- Cost of investment in shares	10,314	10,314
- Loan account	6,929	2,794
Yabeng Investment Holding Company Limited	5,519	5,543
- Cost of investment in shares	10,449	10,449
- Loan account	3,480	(3,168)
- Less: Impairment charge	(8,409)	(1,738)
Subtropico Plaasvars Produkte (Proprietary) Limited	3,580	31
- Cost of investment in shares	1,680	1,680
- Loan account	8,917	5,519
- Less: Impairment charge	(7,017)	(7,168)
Vleissentraal (Proprietary) Limited	45,239	3,171
- Cost of investment in shares	1,350	1,350
- Loan account	13,468	13,459
- Debtor financing loan	30,421	(11,639)
	<u>92,564</u>	<u>39,948</u>

The majority of the loan 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.

The loans to Papillon (Proprietary) Limited, the Subtropico International Group and Subtropico Plaasvars Produkte (Proprietary) Limited are interest free and the loans to Earlyworks 216 (Proprietary) Limited bears interest at the discretion of the directors.

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

The loans to the Farmwise Group and Vleissentraal (Proprietary) Limited bear interest at prime, calculated and capitalised monthly.

The following information relates to the group's interest in its significant 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.

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10. INVESTMENTS IN SUBSIDIARIES - continued

Name	Country of incorporation /residence	Number of shares held	Effective Proportion owned	Nature of business
GW Poole (Proprietary) Limited	South Africa	200 Ordinary shares	100%	G W Poole (Proprietary) Limited undertakes the marketing of fresh produce at the Pietermaritzburg fresh produce market.
Wenpro Market Agents (Proprietary) Limited	South Africa	100 Ordinary shares	100%	Wenpro Market Agents (Proprietary) Limited undertakes the marketing of fresh produce at the Johannesburg fresh produce market.
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.
Delta Market Agents (Proprietary) Limited	South Africa	460 Ordinary shares	100%	Delta Market Agents (Proprietary) Limited undertakes the marketing of fresh produce at the Cape Town fresh produce market.
Papillon (Proprietary) Limited	South Africa	500,000 Ordinary shares 100,000 Preference shares	51% 100%	Papillon (Proprietary) Limited undertakes the wholesale and distribution of fine fragrances and cosmetics via an agency network nationwide.
Burpak Limited	South Africa	1,068,659 Ordinary shares 799,383 Preference shares	62%	Burpak Limited undertakes the packaging of avocados, litchis and other subtropical fruit.
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	60%	Subtropico Farm Fresh (Proprietary) Limited undertakes the processing, packing and trading in agricultural produce.
Greendrop Fresh (Proprietary) Limited	South Africa	120 Ordinary shares	60%	Greendrop 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 renting out of cold rooms and equipment.
Yabeng Investment Holding Company (Proprietary) Limited	South Africa	49,921,927 Ordinary shares	100%	Yabeng Investment Holding Company (Proprietary) Limited is an investment holding company.
Subtropico Plaasvars Produkte (Proprietary) Limited	South Africa	1,680,000 Ordinary shares	100%	Subtropico Plaasvars Produkte (Proprietary) Limited undertakes the renting out of cold rooms and equipment.
Farmwise Marketing (Proprietary) Limited	South Africa	1,220 Ordinary shares	54%	Farmwise Marketing (Proprietary) Limited undertakes the packing and marketing of fresh produce to the wholesale and retail trade.

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
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%	Vleissentraal Bethlehem (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%	Vleissentraal Bloemfontein (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	60%	Vleissentraal KZN (Proprietary) Limited undertakes the marketing of livestock (cattle, sheep, goats and pigs), game and properties.
Vleissentraal Ermelo (Proprietary) Limited	South Africa	957 Ordinary shares	57%	Vleissentraal Ermelo (Proprietary) Limited undertakes the marketing of livestock (cattle, sheep, goats and pigs), game and properties.

Company		Consolidated			
2016	2015	2016	2015		
R'000	R'000	R'000	R'000		
11. INVESTMENTS IN ASSOCIATES					
		Name	2016 Holding%	Carrying amount	
		Unlisted			
-	-	Inyanga Trading 54 Limited	50%	675	783
-	-	Hedge Auctioneers (Pty) Limited	45%	(5)	(37)
-	-	Leydsdorp Veilingskrale (Pty) Limited	50%	68	17
-	-	Warmbad Veemark	30%	772	1,069
-	-	Olemre (Pty) Ltd	50%	31	59
-	-	Liefgekozen Estate (Pty) Ltd	50%	63	63
20,398	14,598	Natsure Limited	34.46%	18,602	17,651
55,192	45,721	KLK Landbou Limited	26.10%	78,878	62,978
<u>75,590</u>	<u>60,319</u>			<u>99,084</u>	<u>82,584</u>
INVESTMENTS IN JOINT VENTURES					
		Name	2016 Holding%		
		Unlisted			
-	-	Bethlehem Veilingskrale (Pty) Limited	50%	213	213
-	-	Greendrop Fresh (Pty) Limited	50%	597	-
<u>-</u>	<u>-</u>			<u>810</u>	<u>213</u>

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
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Company			Consolidated	
2016 R'000	2015 R'000	12. OTHER FINANCIAL ASSETS	2016 R'000	2015 R'000
2,110	2,111	At beginning of year	23,243	21,103
-	-	Purchase of other financial assets	270	58
-	-	Sale of other financial assets	(61)	-
-	(1)	Repayments of other financial assets	1,164	(1,023)
-	-	Interest accrued to other financial assets	601	1,886
-	-	Fair value adjustments to other financial assets	(192)	(2)
-	-	Fair value adjustments to insurance assets	1,555	1,222
<u>2,110</u>	<u>2,110</u>	At end of year	<u>26,581</u>	<u>23,243</u>
		Available for sale financial assets		
109	109	Houers Kooperatief Limited 205 990 Ordinary shares	109	109
-	-	Techno Fresh (Pty) Limited 10 Ordinary shares	-	-
2,000	2,000	Natsure Limited: Debentures	2,000	2,000
-	-	Old Mutual and Sanlam Life Policies	329	521
-	-	RMBSI insurance asset	19,071	16,915
1	1	Other financial assets	1	1
<u>2,110</u>	<u>2,110</u>		<u>21,510</u>	<u>19,546</u>
		Loans and receivables		
-	-	Cape Town Market Investments (Pty) Ltd	338	67
-	-	Olemre (Pty) Ltd	770	730
-	-	Liefgekozen Estates (Pty) Ltd	31	31
-	-	Hedge Auctioneers (Pty) Ltd	120	110
-	-	Leydsdorp veilingkrale	29	51
-	-	Bethlehem veilingkrale	253	253
-	-	Warmbad veemark	446	4
-	-	Greyton Farms	297	-
-	-	Directors	446	403
-	-	Staff	448	412
-	-	Other related parties	1,893	1,636
<u>-</u>	<u>-</u>		<u>5,071</u>	<u>3,697</u>
<u>2,110</u>	<u>2,110</u>		<u>26,581</u>	<u>23,243</u>
		Total non - current other financial assets	<u>24,724</u>	<u>22,826</u>
		Total current other financial assets	<u>1,857</u>	<u>417</u>
		Total other financial assets	<u>26,581</u>	<u>23,243</u>

On 31 December 2016 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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Company			Consolidated	
2016	2015		2016	2015
R'000	R'000		R'000	R'000
		13. INTANGIBLE ASSETS		
		Goodwill (Net)		
-	-	At beginning of year	20,156	15,308
-	-	Reclassification	-	(85)
-	-	Additions through business combinations	9,268	7,903
-	-	Disposal through business divesture	(75)	(489)
-	-	Amortisation charge	(3,749)	(2,481)
-	-	At end of year	25,599	20,156
		Market licence and supplier listings		
-	-	At beginning of year	20	26
-	-	Amortisation charge	(6)	(6)
-	-	At end of year	13	20
-	-		25,612	20,175
		14. BIOLOGICAL ASSETS		
		Biological assets consists of a variety of vegetables planted after 30 September 2016. These assets include the cost of the seeds, fertilizer and wages used to plant these biological assets.		
-	-	At beginning of year	364	-
-	-	Additions	390	364
-	-	At end of year	754	364
		15. INVENTORIES		
-	-	Packaging material	7,963	7,473
-	-	Consumables	304	283
-	-	Finished goods, Work-in-progress, Raw material and Corr	2,886	2,873
-	-	Fresh produce	-	290
-	-		11,153	10,919
		Inventory is valued consistent with previous years as set out in accounting policy number 10.		
		16. TRADE AND OTHER RECEIVABLES		
22	314	Trade receivables	192,669	110,539
-	-	Prepayments	504	518
(18)	(22)	Sundry receivables	13,557	27,684
30	15	Deposits	485	396
-	-	South African Revenue Service - Value Added Tax	6,882	1,940
34	308	Trade and other receivables	214,096	141,077
-	-	Less non - current portion	(116)	(111)
-	-	Deposits	(116)	(111)
34	308	Current portion	213,980	140,965

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
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Company			Consolidated	
2016 R'000	2015 R'000	17. CASH AND CASH EQUIVALENTS	2016 R'000	2015 R'000
-	-	Bank balances	38,249	23,168
-	-	Cash on hand	660	553
-	-	Deposits at financial institutions	2,715	7,442
<u>-</u>	<u>-</u>		<u>41,623</u>	<u>31,164</u>
		For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following:		
-	-	Bank balances	38,249	23,168
-	-	Cash on hand	660	553
(67,452)	(14,079)	Bank overdrafts and overnight loans (note 19)	(87,273)	(35,288)
-	-	Deposits at financial institutions	2,715	7,442
<u>(67,452)</u>	<u>(14,079)</u>		<u>(45,650)</u>	<u>(4,124)</u>
		Consolidated		
		<i>Details of most significant bank overdrafts:</i>		
		Burpak Limited's bank overdraft amounts to R1,246,186 (2015: R1,156,014) 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.		
		- A first mortgage bond over movable assets.		
		- Santam insurance policy no. 50/63107449304.		
		The bank has issued guarantees to creditors on behalf of:		
		- Burpak Limited for R294,000		
		Farmwise's bank overdraft is secured through a collateral investment recorded under cash and cash equivalents, a cession of debtors, unlimited guarantees of some directors/shareholders and cession of certain loan accounts. No interest and fixed repayment terms exist for the loan.		
		Company		
		Unlimited cross suretyship (including cession 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 R70,000,000 overdraft, a R4,000,000 credit card facility, a R4,000,000 financial guarantee and a R4,000,000 asset finance facility are the most significant. Bank overdrafts bear interest at prime.		
		18. SHARE CAPITAL		
		Authorised		
3,000	3,000	3 000 000 Ordinary shares of no par value (2015: 3 000 000 shares of no par value)	3,000	3,000
<u>3,000</u>	<u>3,000</u>			
		Issued		
16,972	16,972	2 464 838 Ordinary shares of no par value (2015: 2 464 838 shares of no par value)	16,972	16,972
<u>16,972</u>	<u>16,972</u>			
		19. DEFERRED INCOME TAX ASSETS/(LIABILITIES)		
		Deferred income tax is calculated using a tax rate of 28% (2015: 28%).		
-	-	Deferred income tax assets	16,453	8,692
(6,315)	(4,480)	Deferred income tax liabilities	(9,770)	(3,011)
<u>(6,315)</u>	<u>(4,480)</u>		<u>6,683</u>	<u>5,681</u>
		The movement on the deferred income tax account is as follows:		
(4,480)	(3,270)	Beginning of the year	5,681	860
-	-	Change in tax rate	-	-
(1,835)	(1,210)	Temporary differences	1,001	4,821
(24)	(24)	Accelerated tax depreciation	1,202	39
-	-	Acquisition of Farmwise	-	3,065
-	-	Fair value adjustment on investment property	-	-
-	-	Other financial assets	(567)	16
(1,870)	(777)	Investments in associates	-	-
20	8	Provisions	325	163
39	(416)	Assessed losses	41	1,537
<u>(6,315)</u>	<u>(4,480)</u>	At end of year	<u>6,683</u>	<u>5,681</u>

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Company		20. BORROWINGS	Consolidated	
2016 R'000	2015 R'000		2016 R'000	2015 R'000
-	-	Non - current		
-	-	Bank borrowings	30,897	30,776
-	-	Finance lease liabilities	3,619	5,892
-	-	Borrowing from group companies and related parties	7,002	1,330
-	-	Other borrowings	950	1,000
-	-		<u>42,468</u>	<u>38,998</u>
67,452	14,079	Current		
-	-	Bank overdrafts (note 16)	87,273	35,288
-	-	Bank borrowings	3,692	1,030
-	-	Finance lease liabilities	2,620	4,131
-	-	Borrowing from group companies and related parties	5,743	8,623
67,452	14,079		<u>99,328</u>	<u>49,072</u>
67,452	14,079	Total borrowings	<u>141,795</u>	<u>88,070</u>
		<i>Details of bank borrowings are:</i>		
		Secured		
		<u>Vleissentraal (Pty) Ltd and subsidiaries:</u>		
		<u>Mortgage bonds</u>		
-	-	Total outstanding amount	3,344	1,323
-	-	Less: Current liabilities	(3,184)	(708)
-	-	Non - current liabilities	<u>160</u>	<u>614</u>
		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 R36,444 (2015: R36,039). The outstanding balance at year end amounts to R398,371 (2015:R772,570).		
		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 R160,000 (2015: R400,000).		
		Standard Bank medium term loan to Vleissentraal Ermelo (Proprietary) Limited. The loan bears interest at 9.5% and is repayable in monthly instalments of R7,500. The outstanding balance at year end amounts to R67,500 (2015: R150,000).		
		RMB structured Insurance loan to Vleissentraal Bloemfontein (Proprietary) Limited. The loan is unsecured and bears interest at 9.5% - 10.5% and is repayable in February 2017. The outstanding balance at year end amounts to R2,717,930 (2015: R0).		
		<u>Subtropico International (Proprietary) Limited and subsidiaries:</u>		
		<u>Mortgage bonds</u>		
-	-	Total outstanding amount	7,207	4,107
-	-	Less: Current liabilities	(508)	(322)
-	-	Non - current liabilities	<u>6,699</u>	<u>3,785</u>
		ABSA mortgage bond registered and secured over Portion 6 of the farm Bronkhorst no.748, Paarl owned by Yabeng Finance (Proprietary) Limited, a subsidiary of Subtropico International (Proprietary) Limited (note 9). The bond bears interest at prime rate minus 0.67% per annum and is repayable monthly in installments of R91,962.26.		
-	-			
-	-			
-	-			

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
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FOR THE YEAR ENDED 31 DECEMBER 2016

Company			Consolidated	
2016	2015		2016	2015
R'000	R'000		R'000	R'000
		20. BORROWINGS - continued		
		<u>Farmwise Marketing (Proprietary) Limited and subsidiaries</u>		
		<u>Mortgage bonds and term loans</u>		
-	-	Total outstanding amount	24,038	26,377
-	-	Less: Current liabilities	-	-
<u>-</u>	<u>-</u>	Non - current liabilities	<u>24,038</u>	<u>26,377</u>
		The mortgage bond is secured over the Farmwise facility. The loan bears interest at 9.5% and is repayable in monthly instalments of R325,872.27. The outstanding balance at year end is R19,931,257 (2015: R21,556,355).		
		The term loan is secured over the Farmwise facility. The loan bears interest at 13.0% and is repayable in monthly instalments of R59,524. The outstanding balance at year end is R4,106,546 (2015: R4820,833).		
		Total non - current bank borrowings	<u>30,897</u>	<u>30,776</u>
		Total current bank borrowings	<u>3,692</u>	<u>1,030</u>
		Total bank borrowings	<u>34,588</u>	<u>31,806</u>
		<u>Details of finance lease liabilities:</u>		
		<u>Vleissentraal (Proprietary) Limited</u>		
-	-	Present Value of finance lease liabilities:		
-	-	Not later than 1 year	-	615
-	-	Later than 1 year and no later than 5 years	-	146
<u>-</u>	<u>-</u>		<u>-</u>	<u>762</u>
		The loans are secured over the leased assets.		
		<u>Subtropico International (Proprietary) Limited</u>		
-	-	Present Value of finance lease liabilities:		
-	-	Not later than 1 year	666	614
-	-	Later than 1 year and no later than 5 years	1,468	2,090
<u>-</u>	<u>-</u>		<u>2,135</u>	<u>2,704</u>
		The loans are prime based (varies between 9.75% and 11.05%) and are repayable by a total monthly instalment of R80,479 (2015: R67,020).		
		The loans are secured over assets with a book value of R1,571,053 (2015: R1,989,083).		
		<u>Burpak (Proprietary) Limited</u>		
-	-	Present Value of finance lease liabilities:		
-	-	Not later than 1 year	23	20
-	-	Later than 1 year and no later than 5 years	59	82
<u>-</u>	<u>-</u>		<u>82</u>	<u>102</u>
		The loans bear interest at an average borrowing rate of 14% (2015: 13.25%).		
		The loans are secured by the lessor's charge over the assets.		
		<u>Farmwise Marketing (Proprietary) Limited and subsidiaries</u>		
-	-	Present Value of finance lease liabilities:		
-	-	Not later than 1 year	1,931	2,881
-	-	Later than 1 year and no later than 5 years	2,092	3,574
<u>-</u>	<u>-</u>		<u>4,023</u>	<u>6,455</u>
		These finance leases are secured through property, plant and equipment. The average effective borrowing rate was 10.74%. All contracts have fixed repayment terms.		
-	-	Total non - current finance lease liabilities	<u>3,619</u>	<u>5,892</u>
-	-	Total current finance lease liabilities	<u>2,620</u>	<u>4,131</u>
<u>-</u>	<u>-</u>	Total finance lease liabilities	<u>6,240</u>	<u>10,023</u>

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Company			Consolidated	
2016	2015		2016	2015
R'000	R'000		R'000	R'000
21. TRADE AND OTHER PAYABLES				
-	-	Trade payables	101,920	79,596
		Other payables:		
519	522	Dividends and capital repayments payable	519	522
-	-	Amounts received in advance	74	(424)
1,063	988	Sundry payables	29,603	23,718
158	87	Accrued leave pay	4,967	3,621
-	-	Trust payables	4,328	9,034
682	744	South African Revenue Services - Value Added Tax	4,224	3,638
27	27	Deposits held	389	357
<u>2,448</u>	<u>2,368</u>	Current portion	<u>146,023</u>	<u>120,061</u>

22. CONTINGENT LIABILITIES

Securities, suretyships and guarantees 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).	

23. CAPITAL COMMITMENTS

Neither the company nor any of its subsidiaries had any significant commitments for capital expenditure at 31 December 2016 (2015: Rnil).

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Company			Consolidated	
2016	2015		2016	2015
R'000	R'000	24. CASH FLOW FROM OPERATIONS	R'000	R'000
21,400	14,594	Profit before income tax	51,501	52,498
		Adjusted for:		
-	-	Losses from discontinued operations	-	(2,357)
(5,899)	(3,259)	Interest received	(16,217)	(13,836)
7,035	3,182	Interest paid	18,414	9,443
191	190	Depreciation charge and assets written off	11,271	9,991
-	-	Profit on disposal of property, plant and equipment, investments and investment properties	(1,201)	(1,885)
(21,608)	(13,212)	Profit from investment activities	1,243	777
-	-	Loss on the disposal of other financial assets	(203)	-
-	-	Amortisation of intangible assets	3,756	2,488
		Movements in current assets and liabilities		
-	-	(Increase)/decrease in inventories	(623)	(8,500)
		(Increase)/decrease in trade and other receivables	(73,020)	(64,069)
274	730	Increase in trade and other payables and provisions (excluding dividends payable)	25,962	63,556
81	98			
<u>1,475</u>	<u>2,323</u>	Cash flow from operations	<u>20,882</u>	<u>48,106</u>

25. RELATED PARTIES

Company

Subtropico Market Agents (Proprietary) Limited, Subtropico Johannesburg (Proprietary) Limited, Subtropico International (Proprietary) Limited, Yabeng Finance (Proprietary) Limited, Subtropico Farm Fresh (Proprietary) Limited, Spes Bona Market Agency (Proprietary) Limited, Citifresh Market Agents (Proprietary) Limited, Protea Market Agents (Proprietary) Limited, GW Poole (Proprietary) Limited, Delta Market Agents (Proprietary) Limited, Wenpro Market Agents (Proprietary) Limited, Burpak (Proprietary) Limited, Earlyworks 216 (Proprietary) Limited, Papillon (Proprietary) Limited, Yabeng Investment Holding Company (Proprietary) Limited, Farmwise (Proprietary) Limited, Farmwise Marketing (Proprietary) Limited, Educated Risk (Proprietary) Limited, Calwest (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.

Natsure Limited is an associate of Subtropico Limited. Natsure Limited is the holding company of various subsidiaries and associates of which the detail can be obtained from their registered office.

KLK Landbou Limited is an associate of Subtropico Limited. KLK Landbou Limited is the holding company of various subsidiaries and associates of which the detail can be obtained from their registered office.

Subtropico Limited, Constantia Ondernemings Limited and subsidiaries 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 and distribution income:

Subtropico Market Agents (Proprietary) Limited

Company	
2016	2015
R'000	R'000
15,776	6,088

Rental income:

Subtropico Market Agents (Proprietary) Limited
Vleissentraal (Proprietary) Limited

365	342
174	163
<u>174</u>	<u>163</u>

Interest received:

Subtropico International (Proprietary) Limited
Vleissentraal (Proprietary) Limited
Burpak Limited
Earlyworks 216 (Proprietary) Limited
Farmwise Marketing (Proprietary) Limited
Natsure Limited
Yabeng Investment Holding Company (Proprietary) Limited

716	567
4,014	1,851
212	194
144	45
135	-
189	-
363	-
<u>5,772</u>	<u>2,657</u>

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

25. RELATED PARTIES - continued	2016	2015
Interest paid:		
Subtropico Market Agents (Proprietary) Limited	688	429
Yabeng Investment Holding Company (Proprietary) Limited	-	159
Zedpro (Proprietary) Limited	-	-
	<u>688</u>	<u>588</u>
Managerial fees and other income:		
Subtropico Market Agents (Proprietary) Limited	6,123	6,021
Vleissentraal (Proprietary) Limited	1,013	1,268
Earlyworks 216 (Proprietary) Limited	101	174
Yabeng Investment Holding Company (Proprietary) Limited	-	63
	<u>7,237</u>	<u>7,525</u>
Loans to/(from) subsidiaries - See note 10		
	Company	
	2016	2015
	R'000	R'000
Directors remuneration:		
<u>Non - executive directors remuneration</u>		
A F Oberholzer	84	83
M A F Moja	37	35
J S Pieterse	38	47
C F P van Dyk	51	60
C J van Dyk	39	47
S Vil-Nkomo	51	47
A Vos	-	-
	<u>300</u>	<u>319</u>
<u>Executive directors remuneration</u>		
B P Botha (Chief Executive Officer)	2,363	2,242
B P Botha (Chief Financial Officer)	2,113	1,738
	<u>4,475</u>	<u>3,980</u>
	Group	
	2016	2015
	R'000	R'000
<u>Non - executive directors remuneration</u>		
A F Oberholzer	14	-
	<u>14</u>	<u>-</u>
<u>Executive directors remuneration</u>		
A Vos	2,370	1,939
	<u>2,370</u>	<u>1,939</u>
	Consolidated	
	2016	2015
	R'000	R'000
<u>Directors remuneration</u>		
Subtropico Limited	4,776	4,299
Subtropico Market Agents (Proprietary) Limited	4,195	4,411
Spes Bona Market Agency (Proprietary) Limited	2,133	1,560
Subtropico Johannesburg (Proprietary) Limited	275	200
Citifresh Market Agents (Proprietary) Limited	543	576
GW Poole (Proprietary) Limited	838	641
Subtropico International (Proprietary) Limited	1,686	1,919
Vleissentraal (Proprietary) Limited and subsidiaries	14,700	16,093
Farmwise Marketing (Proprietary) Limited and subsidiaries	1,612	1,363
	<u>30,758</u>	<u>31,061</u>

SUBTROPICO LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

26. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates, judgments and assumptions 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, judgments 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 include allowance for doubtful debts, for residual values, useful lives and depreciation methods, fair value adjustments to assets and asset impairment tests. Other judgements made relate to classifying assets and liabilities into categories.

27. DISCONTINUED OPERATIONS

Subtropico Plaasvars Produkte (Proprietary) Limited:

The decision was made by the board to discontinue all Plaasvars's remaining operations in November 2012 and the remaining employees were retrenched. The discontinuation was the direct result of our supply agreement with Boxer being unilaterally and without any suggestion of us being in Breach, cancelled without prior notice. Assets were impaired or sold piecemeal over time and all matters concluded by the end of 2015.

Profit and loss	2016 R'000	2015 R'000
Revenue and other income	-	-
Expenses	-	(178)
	<u>-</u>	<u>(178)</u>

Farmwise Marketing (Proprietary) Limited:

The decision was made by the board to discontinue all Farmwise's KZN operations during the last of quarter of 2014. The discontinuation was the direct result of the losses suffered at the KZN packhouse. Assets were impaired or sold piecemeal and employees retrenched. All matters were concluded by 1 April 2015.

Profit and loss	2016 R'000	2015 R'000
Revenue and other income	-	30,369
Expenses	-	(33,928)
	<u>-</u>	<u>(3,559)</u>

Wenpro Market Agents (Proprietary) Limited:

The decision was made by the board to discontinue Wenpro's transport operations in May 2015. The discontinuation was the direct result of the losses suffered by the transport operations. Assets were impaired or sold piecemeal and employees retrenched. All matters were concluded by the end of 2015.

Profit and loss	2016 R'000	2015 R'000
Revenue and other income	-	196
Expenses	-	(453)
	<u>-</u>	<u>(257)</u>

28. 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.



▶ If we are going to maintain our reputation for success, then we're going to have to learn to think outside the box. It is this ability to think laterally, to innovate and to plan together in harmony that will result in our continued success.



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