

UNAUDITED INTERIM RESULTS for the 6 MONTHS ending 30 June 2017

GROUP FINANCIAL HIGHLIGHTS:
HEADLINE EARNINGS PER SHARE: +24.5%
NET ASSET VALUE PER SHARE: R106.39
DIVIDEND PAID: R3.30 PER SHARE (+13.8%)

	Unaudited 6 months 30 Jun 2017 R'000	Unaudited 6 months 30 Jun 2016 R'000	Audited 12 months 31 Dec 2016 R'000
STATEMENT OF COMPREHENSIVE INCOME			
Turnover	460,605	598,275	963,398
Gross profit	279,297	271,567	539,732
Other operating income	2,611	3,466	26,750
Administrative and operating expenses	(251,804)	(246,751)	(514,539)
Profit from operating activities	30,104	28,282	51,943
Profit from investment activities	-	-	1,754
Operating profit	30,104	28,282	53,697
Net finance income/(expense)	(1,093)	(673)	(2,196)
Profit before tax	29,011	27,609	51,501
Tax expense	(8,623)	(9,456)	(14,673)
Profit after tax	20,388	18,153	36,828
Share in after tax profit of associates	8,560	5,194	13,851
Profit for the year from continuing operations	28,948	23,347	50,679
Loss for the year from discontinued operations	-	-	-
Profit for the year	28,948	23,347	50,679
Minority interest	(3,879)	(2,224)	(5,396)
Profit attributable to ord.shareholders ("basic earnings")	25,069	21,123	45,283
Reconciliation between basic earnings and recurring headline earnings:			
Profit on disposal of property, plant and equipment	(114)	(462)	(500)
Profit on disposal of other financial assets	-	-	(112)
Loss for the year from discontinued operations	630	-	-
Fair value adjustments to insurance assets	-	(42)	(506)
Fair value adjustments to other financial assets	-	-	-
Fair value adjustments to investment properties	-	-	-
Amortisation of goodwill and intangible assets (IFRS for SME's)	1,819	1,400	3,469
Impairment losses	-	-	44
Recurring headline earnings	27,403	22,018	47,676
Weighted number of ordinary shares issued ('000)	2,465	2,465	2,465
Basic earnings per share (cents)	1,017	857	1,837
Recurring headline earnings per share (cents)	1,112	893	1,934

	Unaudited 30 Jun 2017 R'000	Unaudited 30 Jun 2016 R'000	Audited 31 Dec 2016 R'000
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Non - current assets	302,412	277,014	302,365
Property, plant and equipment	94,169	96,197	99,812
Investment properties	36,798	36,798	36,798
Investments in associates	105,627	87,604	99,084
Investments in joint ventures	2,186	213	809
Other financial assets	22,909	23,196	23,681
Intangible assets	24,321	25,529	25,612
Deferred income tax assets	16,286	7,362	16,453
Trade and other receivables	116	115	116
Current assets	321,718	277,254	274,006
Current income tax assets	3,912	2,468	3,595
Other financial assets	4,930	1,958	2,901
Biological assets	-	364	754
Inventories	10,388	11,053	11,153
Trade and other receivables	263,882	237,376	213,980
Cash and cash equivalents	38,606	24,035	41,623
TOTAL ASSETS	624,130	554,268	576,371
EQUITY AND LIABILITIES			
Capital and reserves	294,590	250,737	276,939
Ordinary shareholders' interest	262,225	222,047	245,242
Share capital	16,972	16,973	16,972
Dividend Reserve	135	205	8,134
Non-distributable reserve	3,571	3,571	3,619
Retained earnings	241,547	201,298	216,517
Minority interest in equity	32,364	28,690	31,697
Non - current liabilities	50,651	40,710	52,238
Deferred income tax liabilities	8,975	2,786	9,770
Borrowings	41,676	37,924	42,468
Current liabilities	278,889	262,821	247,194
Trade and other payables	168,011	171,468	146,023
Borrowings	109,226	88,878	99,328
Current income tax liabilities	1,652	2,475	1,843
TOTAL EQUITY AND LIABILITIES	624,130	554,268	576,371
Net asset value per share (rand)	106.39	90.09	99.50
Tangible net asset value per share (rand)	96.52	79.73	89.11
Total number of shares issued ('000)	2,465	2,465	2,465

	Unaudited 6 months 30 Jun 2017 R'000	Unaudited 6 months 30 Jun 2016 R'000	Audited 12 months 31 Dec 2016 R'000
CONSOLIDATED CASH FLOW STATEMENT			
Cash generated by operating activities	(11,097)	(29,234)	(6,916)
Cash utilised in investing activities	(1,026)	(16,627)	(36,350)
Cash generated by/(utilised in) financing activities	(9,713)	(8,426)	1,740
Net increase/(decrease) in cash and cash equivalents	(21,836)	(54,287)	(41,526)
Cash and cash equivalents at beginning of year	(45,650)	(4,124)	(4,124)
Cash and cash equivalents at end of year	(67,486)	(58,410)	(45,650)

The fluctuating nature of Vleissentraal's debtors between calendar months and/or any acquisition made during the year can impact severely on the cash generated by operations. It is therefore difficult to make any meaningful comparison and caution should therefore be taken when evaluating cash movements.


SUBTROPICO LIMITED

(Registration number 1993/000220/06)

STATEMENT OF CHANGES IN EQUITY	Share capital	Non-distrib. reserves	Dividend reserve	Retained Earnings	Total
	R'000	R'000	R'000	R'000	R'000
Balance on 31 December 2016	16,972	3,619	8,134	216,517	245,242
Dividends declared/proposed	-	-	(7,999)	-	(7,999)
Profit for the year	-	-	-	25,069	25,069
Shares issued, adjustments and revaluations	-	(48)	-	(39)	(87)
Balance on 30 June 2017	16,972	3,571	135	241,547	262,225

COMMENTS:
ACCOUNTING POLICY

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

OPERATING RESULTS

Turnover decreased by 23.0% mainly as a result of potato prices being 40.6% lower than the prior period which resulted in a loss in turnover at Farmwise of R150.4 million. The recurring headline earning of R27.4 million is 24.5% higher than the previous period (2016: R22.0 million). The recurring headline earnings per share increased by 24.5% to 1112 cents (2016: 893 cents). *Recurring Headline Earnings by source:*

	% Increase/ (decrease)	2017 6 months R'000	Contribution	2016 6 months R'000	Contribution
	Head office	22.5%	-6 085		-4 966
Fresh Produce Market Agents	-18.1%	10 141	30.3%	12 389	45.9%
Livestock Agents	115.2%	13 179	39.3%	6 125	22.7%
Value add	22.1%	10 134	30.3%	8 297	30.8%
Financial & Insurance Services loss	-80.4%	34	0.1%	174	0.6%
Total	24.5%	27 403	100.00%	22 019	100.00%

Fresh Produce Market Agents:

The contribution to recurring headline earnings was 18.1% lower than the prior period. The value of produce sold for the period decreased by 2.4% to R1.29 billion (2016: R1.32 billion). Vegetables experienced a very weak price market during the period due to higher volumes as a result of the nationwide rain. The value of produce sold resulted in a market share of 17.9% (2016: 16.6%) of the national produce markets that we are represented on. The profit before tax margin deteriorated to 1.08% (2016: 1.33%) for the period as a result of the weak price environment.

Livestock Agents:

The livestock agents' business experienced an excellent trading period with the contribution to recurring headline earnings being 115.2% higher on the back of strong weaner calf prices and bad debt provided for in the prior period not being repeated. Livestock and game sold on behalf of producers increased by 13.2% to R2.23 billion (2016: R1.97 billion). Game sales comprised 4.8% (2016: 19.6%) of total sales as a result of a significant deflation of exotic game prices combined with new competitors entering the sector. Weaner calf p/kg has ended the period stronger at R32.82 p/kg (2016: R19.92 p/kg).

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

The Subtropico International Group's contribution to recurring headline earnings was comparable to the prior period. Vioolsdrif and Klapmuts primary production projects have been discontinued. The Greendrop Hydroponics joint venture is showing positive results and the project is poised for expansion. Burpak's contribution to recurring headline earnings is in line with the prior period despite a lower yielding avocado harvest. The future of Burpak is being evaluated. KIK Landbou Limited contributed a 26.6% (2016: 25.1%) equity accounted profit estimated at +/-R8.5 million (2016: +/-R5 million) to recurring headline earnings for the period. Farmwise has remained profitable after a process of restructuring and strategic alignment and has contributed R1.1 million to recurring headline earnings for the period (2016:R3.0 million) on the back of weak potato prices and low consumer confidence experienced at retailers.

Insurance services:

Nature accounted for a recurring headline profit of R0.1 million (2016: R0.1 million). Its gross written premium base is now fast approaching the level required for the company to become profitable. Opportunities to grow Nature's premium and commission base, and to add to or realise value from the property portfolio are also continually being evaluated.

PROSPECTS

The strong price market of fresh produce in 2016 has weakened following country wide rains and the resulting increase in supply. We expect price support from fruit in the last quarter of the year but vegetable prices will remain under pressure. Livestock prices have strengthened during the 1st half of 2017 as the lower cost of feed and improved grazing are fuelling the demand for weaner calves. Livestock prices are expected to remain strong for the remainder of the year. Game prices have continued to weaken with the supply of exotic game exceeding demand. Management remains committed to improving results by organic growth and acquisition. Unless unforeseen circumstances arise, the profitability of the group is expected to improve during 2017.

DIVIDEND

A dividend of 330 cents per share (2015: 290 cents) was paid on Friday, 28 April 2017 to shareholders recorded in the securities 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 had successfully been applied for.

CAUTIONARY ANNOUNCEMENT

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

For and on behalf of the directors at Pretoria on 11 September 2017

B P BOTHA - CFO

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