

**SUMMARY OF THE UNAUDITED GROUP FINANCIAL STATEMENTS for the year ended 31 December 2017**

	Unaudited 31 Dec 2017 R'000	Audited 31 Dec 2016 R'000		Unaudited 31 Dec 2017 R'000	Audited 31 Dec 2016 R'000		
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			<b>STATEMENT OF FINANCIAL POSITION</b>				
Turnover	959,601	963,398	<b>ASSETS</b>	<b>328,211</b>	<b>302,365</b>		
Gross profit	601,696	539,732	<b>Non - current assets</b>				
Other operating income	36,393	26,750	Property, plant and equipment	97,004	99,812		
Administrative and operating expenses	(573,670)	(514,539)	Investment properties	37,057	36,798		
<b>Profit from operating activities</b>	<b>64,419</b>	<b>51,943</b>	Investments in associates	116,253	99,084		
Profit from investment activities	5,335	1,754	Investments in joint ventures	5,992	809		
<b>Operating profit</b>	<b>69,754</b>	<b>53,697</b>	Other financial assets	20,467	23,681		
Net finance income/(expense)	(2,931)	(2,196)	Intangible assets	29,021	25,612		
<b>Profit before tax</b>	<b>66,823</b>	<b>51,501</b>	Deferred income tax assets	22,300	16,453		
Tax expense	(16,855)	(14,673)	Trade and other receivables	117	116		
<b>Profit after tax</b>	<b>49,968</b>	<b>36,828</b>	<b>Current assets</b>	<b>324,909</b>	<b>274,006</b>		
Share in after tax profit of associates	17,114	13,851	Current income tax assets	1,201	3,595		
<b>Profit for the year from continuing operations</b>	<b>67,082</b>	<b>50,679</b>	Other financial assets	810	2,901		
Loss for the year from discontinued operations	(4,107)	-	Biological assets	-	754		
<b>Profit for the year</b>	<b>62,975</b>	<b>50,679</b>	Inventories	11,199	11,153		
Minority interest	(13,233)	(5,396)	Trade and other receivables	205,916	213,980		
<b>Profit attributable to ord.shareholders ("basic earnings")</b>	<b>49,742</b>	<b>45,283</b>	Cash and cash equivalents	105,783	41,623		
<b>Reconciliation between basic earnings and recurring headline earnings:</b>			<b>TOTAL ASSETS</b>	<b>653,120</b>	<b>576,371</b>		
Profit on disposal of property, plant and equipment	(46)	(500)	<b>EQUITY AND LIABILITIES</b>				
Profit on disposal of other financial assets	(3,046)	(112)	<b>Capital and reserves</b>	<b>383,034</b>	<b>276,939</b>		
Loss for the year from discontinued operations	4,107	-	Ordinary shareholders' interest	<b>341,176</b>	<b>245,242</b>		
Fair value adjustments to insurance assets	(2,133)	(506)	Share capital	71,610	16,972		
Fair value adjustments to other financial assets	1,088	-	Dividend Reserve	11,503	8,134		
Amortisation of goodwill and intangible assets	3,891	3,469	Non-distributable reserve	3,619	3,619		
Overprovision of performance bonuses	155	-	Retained earnings	254,444	216,517		
Impairment losses	(172)	44	Minority interest in equity	<b>41,858</b>	<b>31,697</b>		
<b>Recurring headline earnings</b>	<b>53,585</b>	<b>47,678</b>	<b>Non - current liabilities</b>	<b>98,337</b>	<b>52,238</b>		
Weighted number of ordinary shares issued ('000)	2,600	2,465	Deferred income tax liabilities	11,036	9,770		
<b>Basic earnings per share (cents)</b>	<b>1,913</b>	<b>1,837</b>	Borrowings	87,301	42,468		
<b>Recurring headline earnings per share (cents)</b>	<b>2,061</b>	<b>1,934</b>	<b>Current liabilities</b>	<b>171,749</b>	<b>247,194</b>		
<b>CONSOLIDATED CASH FLOW STATEMENT</b>	<b>Unaudited 12 months 31 Dec 2017</b>	<b>Audited 12 months 31 Dec 2016</b>	Trade and other payables	148,835	146,023		
Cash generated by operating activities	64,101	(6,916)	Borrowings	21,406	99,328		
Cash utilised in investing activities	(21,489)	(36,350)	Current income tax liabilities	1,508	1,843		
Cash generated by/(utilised in) financing activities	106,266	1,740	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>653,120</b>	<b>576,371</b>		
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>148,877</b>	<b>(41,526)</b>	Net asset value per share (rand)	<b>103.81</b>	<b>99.50</b>		
<b>Cash and cash equivalents at beginning of year</b>	<b>(45,650)</b>	<b>(4,124)</b>	Tangible net asset value per share (rand)	<b>94.98</b>	<b>89.11</b>		
<b>Cash and cash equivalents at end of year</b>	<b>103,228</b>	<b>(45,650)</b>	Total number of shares issued ('000)	<b>3,286</b>	<b>2,465</b>		
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.			<b>STATEMENT OF CHANGES IN EQUITY</b>				
			Share capital	Non-distrib. reserves	Dividend reserve	Retained Earnings	Total
			R'000	R'000	R'000	R'000	R'000
			16,972	3,619	8,134	216,517	245,242
			-	-	3,370	(11,503)	(8,133)
			-	-	-	49,742	49,742
			54,638	-	-	(311)	54,327
<b>Balance on 31 December 2017</b>	<b>71,610</b>	<b>3,619</b>	<b>11,503</b>	<b>254,444</b>	<b>341,176</b>		



# SUBTROPICO LIMITED

Registration number: 1993/000220/06

## GROUP FINANCIAL HIGHLIGHTS:

**AFRICAN RAINBOW CAPITAL ("ARC") SHARE SUBSCRIPTION (25.1%)**  
**ACQUISITION OF 65% OF DW FRESH PRODUCE PTA & JHB**  
**ACQUISITION OF 50% OF BUTLER INVESTMENT HOLDINGS**  
**HEADLINE EARNINGS: R53.6M (+12.4%)**

**NET ASSET VALUE PER SHARE: R103.81**  
**DIVIDEND PAID: R3.50 PER SHARE (+6.1%)**  
**CURRENT SHARE PRICE: R100 PER SHARE**

## COMMENTS:

### ACCOUNTING POLICY

The unaudited group 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 has decreased by 0.4% to R959.6 million (2016: R963.4 million) mainly as a result of weak fresh produce prices that was largely offset by new acquisitions made during the year. The recurring headline earning of R53.6 million is 12.4% higher than the previous year (2016: R47.7 million). The recurring headline earnings per share increased by 6.6% to 2,061 cents (2016: 1,934 cents). The recurring headline earnings per share increase is less than the recurring headline earning increase due to the dilutive effect of the 821,614 shares issued to ARC in November 2017.

### Recurring Headline Earnings by source:

	<u>% Increase/ (decrease)</u>	<u>2017 R'000</u>	<u>Contri- bution</u>	<u>2016 R'000</u>	<u>Contri- bution</u>
Head office	15.4%	-14,717		-12,749	
Fresh Produce Market Agents	0.1%	26,289	38.5%	26,261	43.5%
Livestock Agents	25.7%	23,537	34.5%	18,718	31.0%
Value add	23.0%	17,837	26.1%	14,496	24.0%
Financial & Insurance Services	-32.9%	638	0.9%	951	1.5%
<b>Total</b>	<b>12.4%</b>	<b>53,584</b>	<b>100%</b>	<b>47,678</b>	<b>100%</b>

### Fresh Produce Market Agents:

The contribution to recurring headline earnings was 0.1% higher than the prior year. The value of produce sold for the year increased by 6.5% to R2.87 billion (2016: R2.69 billion). Vegetables experienced a very weak price market during the year due to higher supply volumes as a result of the nationwide rain. The acquisition of DW Fresh Produce Pretoria and Johannesburg (65%) on 1 September 2017 has also contributed positively to results. The value of produce sold resulted in a market share of 19% (2016: 17%) of the national produce markets that we are represented on.

### Livestock Agents:

The livestock agents' business experienced an excellent year with the contribution to recurring headline earnings being 25.7% higher on the back of strong weaner calf prices and bad debt provided for in the prior year not being repeated. Livestock and game sold on behalf of producers increased by 24.4% to R4.54 billion (2016: R3.64 billion). Game sales comprised 3.6% (2016: 16.3%) of total sales as a result of a significant deflation of exotic game. Weaner calf p/kg has ended the year stronger at R36.44 p/kg (2016: R23.47 p/kg).

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

The Subtropico International Group's contribution to recurring headline earnings has improved since the prior year. The Klampmuts packhouse burnt down in December 2017. A new packhouse is in the process of being rebuilt. Westfalia will be the anchor tenant at the new packhouse. The Vioolsdrif and Klampmuts primary production projects have been discontinued. The Greendrop Hydroponics joint venture is showing positive results. Burpak's operations has been discontinued and options to disinvest are being considered. KLK Landbou Limited contributed a 28% (2016: 26.1%) equity accounted profit estimated at +/-R14 million (2016: R12.9 million) to recurring headline earnings for the year. Farmwise has remained profitable after a process of restructuring and strategic alignment and has contributed R3.1 million to recurring headline earnings for the year (2016:R2.6 million) on the back of weak potato prices and low consumer confidence experienced at retailers.

### Insurance services:

Natsure accounted for a recurring headline profit of R0.7 million (2016: R1.0 million). 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

Price support from fruit in the last quarter of 2017 has continued in 2018 but vegetable prices have remained under pressure. Livestock prices have strengthened during 2017 as the lower cost of feed and improved grazing are fuelling the demand for weaner calves. Livestock prices are expected to remain stable for the remainder of the 2018. 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 2018.

## SYSTEM UPGRADE

Subtropico is currently implementing a new cloud-based reporting system that has unfortunately resulted in the delay of the communication of these unaudited results and the payment of the 2017/2018 dividend. We however believe that the new system will greatly aid us going forward in pro-actively managing the assets within the group.

## DIVIDEND

A dividend of 350 cents per share (2016: 330 cents) was paid on Tuesday, 8 May 2018 to shareholders recorded in the securities register at close of business on Tuesday, 1 May 2018. Withholding tax of 20% was deducted and paid over to SARS, resulting in a net dividend of 280 cents per share, unless exemption had successfully been applied for.

For and on behalf of the directors at Pretoria on 2 July 2018

**B P BOTHA - CFO**

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