



SUBTROPICO LIMITED

SUMMARY OF THE UNAUDITED GROUP FINANCIAL STATEMENTS for the period ended 30 JUNE 2019

	Unaudited 30 Jun 2019 R'000	Unaudited 30 Jun 2018 R'000	Audited 31 Dec 2018 R'000		Unaudited 30 Jun 2019 R'000	Unaudited 30 Jun 2018 R'000	Audited 31 Dec 2018 R'000
STATEMENT OF COMPREHENSIVE INCOME				STATEMENT OF FINANCIAL POSITION			
Turnover	550,317	497,648	1,022,734	ASSETS			
Gross profit	320,707	320,186	646,553	Non - current assets	415,515	343,280	375,874
Other operating income	10,604	5,748	33,557	Property, plant and equipment	105,673	95,956	104,915
Administrative and operating expenses	(308,879)	(291,028)	(604,701)	Investment properties	76,259	33,533	54,920
Profit from operating activities	22,432	34,906	75,409	Investments in subsidiaries	(163)	-	898
Profit from investment activities	4,547	-	5,194	Investments in associates	152,429	129,265	142,336
Operating profit	26,979	34,906	80,603	Investments in joint ventures	1,115	3,239	1,115
Net finance income/(expense)	822	2,102	4,458	Other financial assets	24,574	29,093	21,633
Profit before tax	27,801	37,008	85,060	Intangible assets	30,633	27,979	26,186
Tax expense	(10,752)	(10,949)	(23,523)	Deferred income tax assets	24,038	24,095	23,454
Profit after tax	17,049	26,059	61,538	Trade and other receivables	957	120	418
Share in after tax profit of associates	5,299	8,115	17,629	Current assets	322,057	333,512	359,292
Profit for the period/year from continuing operations	22,348	34,174	79,166	Current income tax assets	2,215	5,217	1,750
Loss for the period/year from discontinued operations	(665)	(1,172)	(2,600)	Other financial assets	4,549	1,595	4,088
Profit for the period/year	21,682	33,002	76,567	Biological assets	2,622	-	1,713
Minority interest	(2,310)	(3,971)	(11,189)	Inventories	4,681	10,561	6,466
Profit attributable to ord.shareholders ("basic earnings")	19,372	29,031	65,378	Trade and other receivables	287,723	275,254	215,180
				Cash and cash equivalents	20,266	40,885	130,095
Reconciliation between basic & recurring headline earnings:				TOTAL ASSETS	737,572	676,792	735,166
(Profit)/loss on disposal of property, plant and equipment	(330)	(420)	(665)	EQUITY AND LIABILITIES			
(Profit)/loss on disposal of other financial assets	(803)	(430)	252	Capital and reserves	468,484	400,253	464,005
(Profit)/loss for the period/year from discontinued operations	468	(355)	2,600	Ordinary shareholders' interest	425,618	359,517	417,611
Fair value adjustments to insurance assets	(1,267)	-	(4,733)	Share capital	95,026	71,610	95,026
Fair value adjustments to investment properties	-	-	1,939	Dividend Reserve	949	833	13,163
Fair value adjustments to other financial assets	-	-	1,322	Non-distributable reserve	3,619	3,571	3,619
Amortisation of goodwill and intangible assets	2,538	2,304	4,548	Retained earnings	326,025	283,503	305,803
Insurance Claims Received (Capital Assets)	-	-	(4,788)	Minority interest in equity	42,866	40,736	46,394
Interim tax and minority interest adjustment	2,111	-	-				
Overprovision of performance bonuses	-	-	54	Non - current liabilities	140,093	84,943	71,902
Impairment losses	-	-	(140)	Deferred income tax liabilities	17,929	12,053	17,929
Recurring headline earnings	22,089	30,129	65,767	Borrowings	122,165	72,890	53,973
				Current liabilities	128,995	191,596	199,259
Weighted number of ordinary shares issued ('000)	3,291	3,286	3,291	Trade and other payables	122,313	153,570	177,668
Basic earnings per share (cents)	589	883	1,987	Borrowings	5,114	29,203	20,252
Recurring headline earnings per share (cents)	671	917	1,998	Current income tax liabilities	1,568	8,823	1,339
				TOTAL EQUITY AND LIABILITIES	737,572	676,792	735,166
CONSOLIDATED CASH FLOW STATEMENT				Net asset value per share (rand)	129.33	109.39	126.90
	Unaudited 6 months 30 Jun 2019	Unaudited 6 months 30 Jun 2018	Audited 12 months 31 Dec 2018	Tangible net asset value per share	120.03	100.88	118.94
Cash generated by operating activities	(117,721)	(44,518)	95,600	Total number of shares issued ('000)	3,291	3,286	3,291
Cash utilised in investing activities	(45,161)	(16,519)	(42,811)				
Cash generated by/(utilised in) financing activities	50,722	(1,306)	(21,943)				
Net increase/(decrease) in cash and cash equivalents	(112,160)	(62,343)	30,846				
Cash and cash equivalents at beginning of period/year	130,066	103,229	99,220				
Cash and cash equivalents at end of period/year	17,906	40,886	130,066				

The fluctuating nature of Vleissentraal's debtors between calendar months and/or any acquisition made during the period/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.

	Share capital	Non-distrib. reserves	Dividend reserve	Retained Earnings	Total
	R'000	R'000	R'000	R'000	R'000
Balance on 31 December 2018	95,026	3,619	13,163	305,803	417,611
Dividends declared/proposed	-	-	(12,215)	925	(11,290)
Profit for the period/year	-	-	-	19,372	19,372
Equity Movements	(0)	-	-	(76)	(76)
Balance on 30 June 2019	95,026	3,619	949	326,025	425,618



SUBTROPICO LIMITED

Registration number: 1993/000220/06

GROUP FINANCIAL HIGHLIGHTS:

**SUCCESSFUL INTEGRATION OF VLEISSENTRAAL PORT ELIZABETH
INCORPORATION OF SUBTROPICO ONLINE
KLK TAKEOVER BID CONCLUDED**

**R60M KLAPMUTS AGRI-HUB CONSTRUCTION PROJECT NEAR COMPLETION
NET ASSET VALUE PER SHARE: R129.33
DIVIDEND PAID ON 20 MAY 2019: R4.00 PER SHARE (+14.3%)**

COMMENTS:

ACCOUNTING POLICY

The unaudited group interim results 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 increased by 10.6% to R550.3 million (2018: R497.6 million) mainly as a result of stable fresh produce prices and new acquisitions made during the period and prior year. The recurring headline earning of R22.1 million is 26.7% lower than the previous period (2018: R30.1 million). The recurring headline earnings per share decreased by 26.8% to 671 cents (2018: 917 cents). The recurring headline earnings per share decrease differs slightly from the recurring headline earning decrease due to the dilutive effect of the 4,385 top-up shares issued to ARC in August 2018.

Recurring Headline Earnings by source:

	<u>% Increase/ (decrease)</u>	<u>6 months 30/6/2019 R'000</u>	<u>Contri- bution</u>	<u>6 months 30/6/2018 R'000</u>	<u>Contri- bution</u>
Head office	66.5%	-6,906		-4,148	
Fresh Produce Market Agents	22.1%	13,019	44.9%	10,664	31.1%
Livestock Agents	-32.2%	9,976	34.4%	14,714	42.9%
Value add	-20.8%	7,450	25.7%	9,407	27.4%
Financial & Insurance Services	186.1%	-1,450	-5.0%	-507	-1.5%
Total	-26.7%	22,089	100%	30,129	100%

Fresh Produce Market Agents:

The contribution to recurring headline earnings was 22.1% higher than the prior period. The value of produce sold for the period increased by 12% to R1.79 billion (2018: R1.6 billion). Fresh produce experienced a flat price market during the period with the national rand per ton price only increasing by 7.3%. The 2017 acquisition of DW Fresh Produce Pretoria and Johannesburg and the incorporation of Subtropico Online also contributed positively to results. The value of produce sold resulted in a market share of 21% (2018: 19.9%) of the national produce markets that we are represented on.

Livestock Agents:

The livestock agents' business experienced a very challenging period with the contribution to recurring headline earnings being 32.2% lower on the back of weak weaner calf prices. Livestock and game sold on behalf of producers remained unchanged at R2.45 billion (2018: R2.45 billion). Weaner calf p/kg has ended the period 17.9% weaker at R27.70 p/kg (2018: R33.75 p/kg) with the outbreak of foot and mouth disease and the cross border sale of Namibian live stock due to drought adding further price pressure. We are excited about the establishment of Vleissentraal Port Elizabeth and welcomes the team that joined us at the end of 2018. Vleissentraal Port Elizabeth will expand our footprint into the Eastern Cape and improve our market share of sheep auctions.

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

The Subtropico International Group's contribution to recurring headline earnings has improved since the prior period. The construction of a new state of the art Agri-Hub will be completed by the end of 2019 with Westfalia as the anchor tenant. KLK Landbou Limited contributed a 31.8% (2018: 29.5%) equity accounted profit of R5.9 million (2018: R8.2 million) to recurring headline earnings for the period. Farmwise has contributed R0.7 million to recurring headline earnings for the period (2018: R0.8 million) on the back of continued weak potato prices and low consumer confidence experienced at retailers.

Insurance services:

Nature accounted for a recurring headline loss of R1.5 million (2018: R0.5 million loss). Opportunities to grow Nature's premium and commission base but also alternatively to disinvest are continually being evaluated in tandem but are complex and taking longer than expected.

OFFER TO THE REMAINING SHAREHOLDERS OF KLK

On 2 November 2018 an offer of R17.50 per share (and/or a share alternative) was made to the remaining shareholders of KLK. Shortly afterwards, on 18 December 2018, Senwes made an offer of R18.50 per share (and/or a share alternative). On 20 February 2019 Subtropico increased its offer to R19 per share (without share alternative and within the independent expert's valuation range). On 11 March 2019 Senwes also increased its offer to R19.50 per share (and/or a share alternative). Subtropico decided not to continue with the bidding war as a counter offer price would approach the upper limits of our valuation range. As a result of the offer our shareholding in KLK has increased from 30.6% to 31.8%. Senwes now holds 57.4% in KLK. We congratulate Senwes with their successful offer and in joining us as anchor shareholders. We look forward to the value and synergies that Senwes will unlock at KLK.

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. We are confident that the new system will greatly aid us in pro-actively managing the group's investment portfolio and also result in a more timeous reporting timeframe in 2020 and beyond.

DIVIDEND

A dividend of 400 cents per share (2018: 350 cents) was paid on Monday, 20 May 2019 to shareholders recorded in the securities register at close of business on Monday, 13 May 2019. Withholding tax of 20% was deducted and paid over to SARS, resulting in a net dividend of 320 cents per share, unless exemption had successfully been applied for.

WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT AND CLOSED PERIOD

Due to the unaudited nature of the results, shareholders are advised to exercise caution when dealing in shares. The publication of the interim results has now resulted in the closed period; and all restrictions on the trade of shares; being suspended.

PROSPECTS

Fresh Produce prices has remained under pressure in 2019 but is expected to improve during the last quarter of 2019. We are very concerned about a second outbreak of foot and mouth disease in November 2019 that has resulted in the national suspension of all livestock auctions for at least 28 days as per the Government Gazette of 4 December 2019. Last mentioned outbreak is expected to impact negatively on livestock prices, volumes auctioned and Vleissentaal's profitability in general. Management remains committed to improving results by organic growth and acquisition. Unless unforeseen circumstances arise, the profitability of the group is expected to improve significantly during the second half of 2019 although full year results is still expected to be below that of 2018.

For and on behalf of the directors at Pretoria on 16 September 2019

B P BOTHA - CFO

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