

UNAUDITED INTERIM RESULTS for the 6 MONTHS ending 30 June 2018

	Unaudited 6 months 30 Jun 2018 R'000	Unaudited 6 months 30 Jun 2017 R'000	Audited 12 months 31 Dec 2017 R'000		Unaudited 30 Jun 2018 R'000	Unaudited 30 Jun 2017 R'000	Audited 31 Dec 2017 R'000
STATEMENT OF COMPREHENSIVE INCOME				STATEMENT OF FINANCIAL POSITION			
Turnover	497,648	460,605	959,601	ASSETS	343,280	302,412	325,458
Gross profit	320,186	279,297	601,696	Non - current assets	343,280	302,412	325,458
Other operating income	5,748	2,611	36,393	Property, plant and equipment	95,956	94,169	97,004
Administrative and operating expenses	(291,028)	(251,804)	(573,670)	Investment properties	33,533	36,798	37,057
Profit from operating activities	34,906	30,104	64,419	Investments in associates	129,265	105,627	116,253
Profit from investment activities	-	-	5,335	Investments in joint ventures	3,239	2,186	3,239
Operating profit	34,906	30,104	69,754	Other financial assets	29,093	22,909	20,467
Net finance income/(expense)	2,102	(1,093)	(2,931)	Intangible assets	27,979	24,321	29,021
Profit before tax	37,008	29,011	66,823	Deferred income tax assets	24,095	16,286	22,300
Tax expense	(10,949)	(8,623)	(16,855)	Trade and other receivables	120	116	117
Profit after tax	26,059	20,388	49,968	Current assets	333,512	321,718	324,910
Share in after tax profit of associates	8,115	8,560	17,114	Current income tax assets	5,217	3,912	1,202
Profit for the year from continuing operations	34,174	28,948	67,082	Other financial assets	1,595	4,930	810
Loss for the year from discontinued operations	(1,172)	-	(4,107)	Biological assets	-	-	-
Profit for the year	33,002	28,948	62,975	Inventories	10,561	10,388	11,199
Minority interest	(3,971)	(3,879)	(13,233)	Trade and other receivables	275,254	263,882	205,916
Profit attributable to ord.shareholders ("basic earnings")	29,031	25,069	49,742	Cash and cash equivalents	40,885	38,606	105,783
Reconciliation between basic earnings and recurring headline earnings:				TOTAL ASSETS	676,792	624,130	650,368
Profit on disposal of property, plant and equipment	(420)	(114)	(46)	EQUITY AND LIABILITIES			
Profit on disposal of other financial assets	(430)	-	(3,046)	Capital and reserves	400,253	294,590	383,034
Loss for the year from discontinued operations	(355)	630	4,107	Ordinary shareholders' interest	359,517	262,225	341,176
Fair value adjustments to insurance assets	-	-	(2,133)	Share capital	71,610	16,972	71,610
Fair value adjustments to other financial assets	-	-	1,088	Dividend Reserve	833	135	11,503
Amortisation of goodwill and intangible assets	2,304	1,819	3,891	Non-distributable reserve	3,571	3,571	3,619
Overprovision of performance bonuses	-	-	155	Retained earnings	283,503	241,547	254,444
Impairment losses	-	-	(172)	Minority interest in equity	40,736	32,364	41,858
Recurring headline earnings	30,129	27,403	53,585	Non - current liabilities	84,943	50,651	95,423
Weighted number of ordinary shares issued ('000)	3,286	2,465	2,600	Deferred income tax liabilities	12,053	8,975	11,036
Basic earnings per share (cents)	883	1,017	1,913	Borrowings	72,890	41,676	84,387
Recurring headline earnings per share (cents)	917	1,112	2,061	Current liabilities	191,596	278,889	171,911
CONSOLIDATED CASH FLOW STATEMENT				Trade and other payables	153,570	168,011	148,835
	Unaudited 6 months 30 Jun 2018	Unaudited 6 months 30 Jun 2017	Audited 12 months 31 Dec 2017	Borrowings	29,203	109,226	21,568
Cash generated by operating activities	(44,518)	(11,097)	64,101	Current income tax liabilities	8,823	1,652	1,508
Cash utilised in investing activities	(16,519)	(1,026)	(18,736)	TOTAL EQUITY AND LIABILITIES	676,792	624,130	650,368
Cash generated by/(utilised in) financing activities	(1,306)	(9,713)	103,514	Net asset value per share (rand)	109.39	106.39	103.81
Net increase/(decrease) in cash and cash equivalents	(62,343)	(21,836)	148,878	Tangible net asset value per share (rand)	100.88	96.52	94.98
Cash and cash equivalents at beginning of period	103,229	(45,650)	(45,650)	Total number of shares issued ('000)	3,286	2,465	3,286
Cash and cash equivalents at end of period	40,886	(67,486)	103,229				

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. Vleissentraal's debtor levels tend to be significantly higher on 30 June (interim period end) compared to 31 December (year-end). It is therefore difficult to make any meaningful comparison and caution should therefore be taken when evaluating cash

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 2017	71,610	3,619	11,503	254,444	341,176
Dividends declared/proposed	-	-	(10,670)	-	(10,670)
Profit for the year	-	-	-	29,031	29,031
Equity Movements	-	(48)	-	28	(20)
Balance on 30 June 2018	71,610	3,571	833	283,503	359,517



SUBTROPICO LIMITED

Registration number: 1993/000220/06

GROUP FINANCIAL HIGHLIGHTS:

HEADLINE EARNINGS: R30.1M (+10.0%)
NET ASSET VALUE PER SHARE: R109.39

DIVIDEND PAID: R3.50 PER SHARE (+6.1%)
CURRENT SHARE PRICE: R100 PER SHARE

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 8.0% to R497.6 million (2017: R460.6 million) mainly as a result of stable commodity prices and recent acquisitions made. The recurring headline earnings of R30.1 million is 10.0% higher than the previous period (2017: R27.4 million). The recurring headline earnings per share decreased by 17.5% to 917 cents (2017: 1,112 cents) due to the dilutive effect of the 821,614 shares issued to African Rainbow Capital ("ARC") in November 2017.

Recurring Headline Earnings by source:

	<u>% Increase/ (decrease)</u>	<u>6 months 30/6/2018 R'000</u>	<u>Contri- bution</u>	<u>6 months 30/6/2017 R'000</u>	<u>Contri- bution</u>
Head office	-31.8%	-4,148		-6,085	
Fresh Produce Market Agents	5.2%	10,664	31.1%	10,141	30.3%
Livestock Agents	11.6%	14,714	42.9%	13,179	39.3%
Value add	-7.2%	9,407	27.5%	10,134	30.3%
Financial & Insurance Services	-1585.7%	-507	-1.5%	34	0.1%
Total	10.0%	30,129	100%	27,403	100%

Fresh Produce Market Agents:

The contribution to recurring headline earnings was 5.2% higher than the prior period. The value of produce sold for the period increased by 23.8% to R1.6 billion (2017: R1.29 billion). Vegetables experienced a very weak price market during the period due to higher supply volumes. The recent acquisition of DW Fresh Produce Pretoria and Johannesburg (65%) also contributed positively to the period's results. The value of produce sold resulted in a market share of 19.9% (2017: 17.9%) of the national produce markets that we are represented on.

Livestock Agents:

The livestock agents' contribution to recurring headline earnings for the period was 11.6% higher on the back of strong weaner calf prices. Livestock and game sold on behalf of producers increased by 10.2% to R2.45 billion (2017: R2.23 billion). Game sales comprised 1.7% (2017: 4.6%) of total sales as a result of a significant deflation of exotic game. Weaner calf p/kg has ended the period stronger at R33.75 p/kg (2017: R32.82 p/kg).

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

The Subtropico International Group's contribution to recurring headline earnings has remained unchanged since the prior period. The Klapmuts 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. Burpak's operations has been discontinued and various options to disinvest are being considered. KLK Landbou Limited contributed a 29.5% (2017: 26.6%) equity accounted profit estimated at +/- R8.2 million (2017: R8.5 million) to recurring headline earnings for the period. Farmwise has remained profitable after a process of restructuring and strategic alignment and has contributed R0.8 million to recurring headline earnings for the period (2017: R1.1 million) on the back of weak potato prices and low consumer confidence experienced at retailers.

Insurance services:

Nature accounted for a recurring headline loss of R0.5 million (2017: R0.1 million profit). Opportunities to grow Nature's premium and commission base, restructure the business model and to add to or realise value from the property portfolio are also continually being evaluated.

PROSPECTS

Price support is expected from fruit sales in the last quarter of 2018 while vegetable prices remain 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 the second half of 2018.

SYSTEM UPGRADE

Subtropico is currently implementing a new cloud-based reporting system that will greatly aid us going forward in pro-actively managing the assets within the group. We are confident that the new system will be fully functional by the end of the year.

DIVIDEND

A dividend of 350 cents per share (2017: 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.

CAUTIONARY ANNOUNCEMENT

Shareholders of Subtropico are advised that Subtropico has advised the board of directors of KLK of its intention to make an offer in terms of Regulation 101 of the Companies Regulations, 2011 to all remaining shareholders of KLK Landbou Limited excluding Subtropico. Accordingly, shareholders are advised to exercise caution when dealing in the company's securities until a full announcement is made.

For and on behalf of the directors at Pretoria on 28 September 2018

B P BOTHA - CFO

Registered office:

No 5 Parkland
229 Bronkhorst Street
New Muckleneuk
Pretoria, 0181

Group secretary: Statucor (Pty) Ltd

Directors: Dr B P Botha (Chairman/CEO), B P Botha (CFO), J A Du Toit, M A F Moja, A V Moos, C F Oberholzer, C F P van Dyk, S Vil-Nkomo, A Vos

Dr B P BOTHA - CEO

Postal address:

PO Box 1546
Brooklyn Square, 0075
Telephone number: (012) 460-9910
Fax number: (012) 460-9911