

**MARSHALL
MONTEAGLE PLC**

2017
INTERIM REPORT
AND DIVIDEND DECLARATION



Marshall Monteagle

Marshall Monteagle PLC

Incorporated in Jersey, Registered No. 102785)

Registered Office:
3rd Floor, 37 Esplanade,
St. Helier, Jersey, JE2 3QA
Channel Islands

13 June 2017

Dear Shareholder,

The Directors report the results for the six months to 31st March 2017 and a dividend declaration.

Results

- Group revenue increased by 39% to US\$161,092,000 compared with the same period last year. In constant currency terms sales increased by 28% to US\$148,534,000.
- Profit before tax increased by 1% to US\$5,252,000, and in constant currency terms decreased by 6% to US\$4,919,000.
- Headline earnings of US\$5.8 cents per share compare with US\$0.6 cents per share in the same period last year, and US\$5.9 cents in the half year ending 31st March 2015. The significant decline in headline earnings in 2016 was attributed to adverse currency conditions. Basic earnings per share, also US\$5.8 cents for the period to 31 March 2017 were 15% lower than in the equivalent period last year largely because that period included a gain of US\$2,239,000 on disposal of six South African investment properties.
- An interim dividend of US1.8 cents per share will be paid in July 2017 (2016 – US1.8 cents).
- Net assets per share are US\$1.92 (2016 – US\$1.80). Net assets per share have increased from the 30th September 2016 figure of US\$1.87 per share; reflecting favourable exchange rate movements and increases in operating profits.

The Group has investments in import and distribution businesses, investment properties, and equities; these are reported on separately below.

Import and Distribution

Our import and distribution businesses in food and household consumer products continue to perform well in a constantly changing environment; we are constantly reviewing our supply-chain to ensure that we remain the most cost-effective solution from factory to shelf. During the six-month's period under review we achieved a pleasing increase in turnover and product volumes shipped. Currency and raw material markets have been extremely volatile. It is to be expected that these market conditions will continue into the second half of the year. However the division is well positioned to deal with such volatility, which is often caused by market factors beyond our control.

This division continues to provide procurement, supply chain and risk management services to multiple retailers, wholesalers and manufacturers in Southern and Central Africa, South America, the Middle East and China. We remain committed to working with suppliers of quality raw materials, skilled technologists and first world production facilities.

Our Metals and Minerals business continues to make extremely good progress and we are developing new partnerships with miners in Southern Africa and end users on an international basis. During 2016 we witnessed a major global rebalancing of supply and demand covering most metals and minerals with consistent price rises throughout the year until December. Demand has softened during the first three months of 2017 as the market has come back into balance and ore prices have moved down over this period. This division provides fully

integrated logistics, marketing, finance and shipping services to the Southern African mining industry and is placing significant focus on chrome and manganese. We are committed to partnering with producers who require a professional all-encompassing solution from collection at mine through to delivery to end users on an international basis.

Our coffee business continues to develop and has expanded into the supply of capsules.

Our tool and machinery import and distribution business made a small loss in the period mainly due to reorganisation costs as it adapted to a shrinking market in South Africa.

Property Portfolio

Rental income from our large multi-tenanted industrial property in San Diego was higher than the first half of 2016; the property currently has a nil vacancy rate. The commercial and industrial property market in Southern California remains strong; we continue to seek to invest further in a similar property in the region.

The Group's South African commercial and light industrial property portfolio had a satisfactory six months despite an ailing local economy. During 2016 we completed the sale of a number of properties in South Africa, for the gross amount of US\$8,848,000, substantially reducing the size of our portfolio and exposure. This is reflected in the reduction in contribution from this division.

Investment Portfolio

During the period we sold the Group's investment in Novartis and acquired a holding in Schlumberger. The value of our investments has remained substantially unchanged as generally increasing share prices have been offset by adverse currency movements on stocks not quoted in US dollars

Net Assets

Assets outside Africa, net of non-controlling interests and proposed dividends, stand at US\$49,847,000, equal to US\$1.39 per share (30th September 2016: US\$1.32); the balance of US\$19,134,000, equal to US\$0.53 per share, is held in South Africa. Our total net assets amount to US\$1.92 per share, which compares with US\$1.87 per share at 30th September 2016.

Interim Dividend

We are pleased to announce that the Company is to pay an interim dividend of US1.8 cents per share. The dividend is payable on 14th July 2017 to shareholders on the register at the close of business on 7th July 2017.

Group Staff

Once again, we would like to thank all our employees for their hard work; we appreciate their efforts and the contribution that they have made during the period.

Board Changes

On 11 April 2017 Mr Edward Beale stepped down as Non-Executive Chairman and was appointed Executive Group Financial Director; Mr Alastair Barclay was appointed as a Director and as Non-executive Chairman.

Prospects

Our trading businesses have had a very strong start to the year. However we do expect activity levels to ease off through the second half. Our strong balance sheet gives us confidence that we can continue to enhance shareholder value in the long term.

A.R.C. Barclay
Chairman

D.C. Marshall
Chief Executive

Shareholders on the South African register will receive their dividend in South African Rand converted from US dollars at the closing rate of exchange on 12th June 2017. In order to comply with the requirements of Strate the relevant details are as follows:

Shareholders are hereby advised that the exchange rate to be used will be USD 1 = ZAR 12.7969. This has been calculated as the average of the bid/ask spread at 16.00 (United Kingdom time) being the close of business on Monday, 12th June 2017.

In respect of the normal gross cash dividend of US1.8 cents (23.03442 South African cents), and in terms of the new South African Tax Act, the following dividend tax ruling only applies to those shareholders who are registered on the South African register at close of business on Friday 7th July 2017. All other shareholders are exempt. The gross dividend is for the six-month period ended 31 March 2017 and will be paid on Friday 14th July 2017.

- The dividend has been declared from income reserves, which funds are sourced from the Jersey holding company's main bank account in Luxembourg.
- The dividend withholding tax rate is 20% resulting in a net dividend of US1.44 cents (18.42754 South African cents) per share to those shareholders who are not exempt from the dividend withholding tax.

The issued number of shares at the declaration date is 35,857,512. The company's Jersey tax number is CH4513.

Salient dates for dividend

Last day to trade	Tuesday 4 th July 2017
Shares trade ex-dividend	Wednesday 5 th July 2017
Record date (date shareholders recorded in books)	Friday 7 th July 2017
Pay date	Friday 14 th July 2017

No dematerialisation or rematerialisation of share certificates, nor transfer of shares between the registers in Jersey and South Africa will take place between Wednesday 5th July and Friday 7th July 2017, both dates inclusive.

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Consolidated Statement of Total Comprehensive Income

	Notes	Half years ended		Year Ended
		31 st March		30 th September
		2017	2016	2016
		Unaudited	Unaudited	Audited
		US\$000	US\$000	US\$000
Continuing operations				
Group revenue	2	161,092	115,728	241,933
Other income	3	1,137	2,968	5,588
		162,229	118,696	247,521
Change in inventories of finished goods and work in progress		(3,400)	(3,483)	(4,220)
Finished goods, raw materials and consumables		(124,995)	(92,909)	(187,762)
Employee benefit expense		(7,626)	(6,361)	(14,259)
Depreciation and amortisation expense		(452)	(395)	(744)
Other expenses	3	(20,005)	(9,831)	(29,789)
Share of associated companies and joint venture's results		33	19	31
Finance expense		(532)	(526)	(2,502)
Profit before taxation on continuing operations	2	5,252	5,210	8,276
Taxation		(1,894)	(1,944)	(2,992)
Profit after taxation		3,358	3,266	5,284
Loss after tax on discontinued operations		-	(304)	(304)
Loss on disposal of discontinued operations		-	-	(474)
Profit for the period		3,358	2,962	4,506
Profit attributable to owners of the parent				
		2,067	2,433	3,153
Profit attributable to non-controlling interests				
		1,291	529	1,353
Basic and fully diluted earnings per share (US cents)				
	4	5.8c	6.8c	8.8c
Basic and fully diluted earnings per share (US cents) – continuing operations				
		5.8c	7.6c	10.5c

Consolidated Statement of Total Comprehensive Income (continued)

	Notes	Half years ended 31 st March		Year ended 30 th September
		2017 Unaudited US\$000	2016 Unaudited US\$000	2016 Audited US\$000
Other Comprehensive (Expense)/Income:				
<i>Items that may be reclassified subsequently to profit and loss:</i>				
Exchange differences on translation into US dollars of the financial statements of foreign entities		784	(2,179)	(369)
Reclassification of previously recognised exchange losses on disposal of Australian operations		-	-	157
Unrealised (loss)/gain on revaluation of available for sale investments		(72)	1,764	3,185
Less applicable tax		(81)	-	(365)
Reclassification of previously recognised profits on disposal of available for sale investments		(11)	19	(40)
Total of items that may be reclassified		620	(396)	2,568
<i>Items that will not be reclassified subsequently to profit and loss:</i>				
Commercial property fair value adjustments		-	-	236
Less applicable tax		-	-	(114)
		-	-	122
Total Other Comprehensive Income		620	(396)	2,690
Total Comprehensive Income		3,978	2,566	7,196
Total Comprehensive Income attributable to owners of the parent		2,466	2,469	5,618
Total Comprehensive Income attributable to non-controlling interests		1,512	97	1,578
Interim dividend per share (US cents)		1.8c	1.8c	1.8c
Final dividend per share (US cents)		-	-	1.9c

Consolidated Statement of Changes in Equity

	Ordinary Share Capital US\$000	Share Premium US\$000	Other Reserves US\$000	Retained Earnings US\$000	Total Shareholders' Interests US\$000	Non- Controlling Interests US\$000	Group Total US\$000
Half year ended 31st March 2016							
Profit after taxation	-	-	-	2,433	2,433	529	2,962
Other Comprehensive Income	-	-	667	(631)	36	(432)	(396)
Total Comprehensive Income	-	-	667	1,802	2,469	97	2,566
Balances at start of period	8,964	23,606	(861)	31,155	62,864	8,576	71,440
Transfer – release of fair value	-	-	(3,079)	3,079	-	-	-
Transactions with shareholders							
Dividends paid	-	-	-	(643)	(643)	(68)	(711)
Balances at end of period	8,964	23,606	(3,273)	35,393	64,690	8,605	73,295
Half year ended 31st March 2017							
Profit after taxation	-	-	-	2,067	2,067	1,291	3,358
Other Comprehensive Income	-	-	(108)	507	399	221	620
Total Comprehensive Income	-	-	(108)	2,574	2,466	1,512	3,978
Transfer – release of fair value							
Balances at start of period	8,964	23,606	(2,719)	37,344	67,195	8,002	74,897
Transactions with shareholders							
Dividends paid	-	-	-	(681)	(681)	(1,753)	(2,434)
Balances at end of period	8,954	23,606	(2,827)	39,237	68,980	7,761	76,741

Consolidated Statement of Financial Position

	31 st March		30 th September
	2017	2016	2016
	Unaudited	Unaudited	Audited
	US\$000	US\$000	US\$000
Non-current assets			
Investment property	20,705	22,131	20,460
Property, plant and equipment	9,477	8,189	9,237
Goodwill	185	169	180
Intangible assets	537	490	523
Deferred taxation	1,415	1,119	1,559
Investments			
Associates	186	181	185
General portfolio – (note 5)	25,387	24,065	25,382
	<u>57,892</u>	<u>56,344</u>	<u>57,526</u>
Current assets			
Inventories	20,915	22,386	24,051
Trade and other receivables	53,319	45,619	42,382
Cash	31,666	21,384	30,916
	<u>105,900</u>	<u>89,389</u>	<u>97,349</u>
Assets held for sale			
Investment property	-	-	1,189
Australian operations	-	2,462	-
Total assets	<u>163,792</u>	<u>148,195</u>	<u>156,064</u>
Current liabilities			
Trade and other payables	(66,788)	(55,862)	(62,171)
Financial liabilities on assets held for sale	-	(1,196)	(251)
Total current liabilities	<u>(66,788)</u>	<u>(57,058)</u>	<u>(62,422)</u>
Net current assets	<u>39,112</u>	<u>34,793</u>	<u>36,116</u>
Total assets less current liabilities	<u>97,004</u>	<u>91,137</u>	<u>93,642</u>
Non-current liabilities			
Accounts payable	(14,338)	(12,396)	(12,351)
Deferred taxation	(5,925)	(5,446)	(6,094)
Total non-current assets	<u>(20,263)</u>	<u>(17,842)</u>	<u>(18,445)</u>
	<u>76,741</u>	<u>73,295</u>	<u>75,197</u>
Capital and reserves			
Called up share capital	8,964	8,964	8,964
Share premium account	23,606	23,606	23,606
Other reserves	(2,827)	(3,273)	(2,719)
Retained earnings	39,237	35,393	37,344
Equity attributable to owners of the parent	68,980	64,690	67,195
Non-controlling interests	7,761	8,605	8,002
	<u>76,741</u>	<u>73,295</u>	<u>75,197</u>
Net assets per share US\$ (note 6)	1.92	1.80	1.87

Consolidated Statement of Cash Flow

	31 st March		30 th September
	2017	2016	2016
	Unaudited	Unaudited	Audited
	US\$000	US\$000	US\$000
Profit for the period	3,358	2,962	4,506
Adjusted for:			
Taxation	1,894	1,935	2,992
Loss on disposal of discontinued operations	-	-	474
Depreciation	452	404	753
Share of associates	(33)	(19)	(31)
Finance expense	532	526	2,502
Other income	(1,137)	(2,970)	(5,588)
Other expense –fair value adjustments and losses on disposal	15	-	343
Changes in working capital:			
Decrease in inventories	3,741	3,918	3,770
(Increase)/Decrease in debtors	(4,673)	(6,450)	3,612
(Decrease)in creditors	7,167	(820)	(3,688)
	11,316	(514)	9,645
Interest paid	(532)	(526)	(2,502)
Taxation paid	(3,518)	264	(3,904)
Net cash (outflow)/inflow from operating activities	7,266	(776)	3,239
Investment activities			
Purchase of, and improvements to, tangible non-current assets	(273)	(1,076)	(2,241)
Proceeds of disposal of tangible assets	24	6,465	9,737
Acquisition of investments	(318)	(599)	(613)
Proceeds on disposal of investments	574	421	446
Cashflow on disposal of discontinued operations	-	-	(62)
Dividends received	182	215	556
Interest received	302	273	1,004
Net cash inflow/(outflow) from investment activities	491	5,699	8,827
Cash inflow before financing	7,757	4,923	12,066
Financing activities			
Drawdown of new long term loans	1,491	6,300	6,300
Repayment of long term loans	(2,425)	(5,136)	(5,098)
Dividends paid – Group shareholders	(681)	(643)	(1,287)
Dividends paid – non-controlling interests of subsidiaries	(1,753)	(68)	(1,518)
Cash inflow/(outflow) from financing activities	(3,368)	453	(1,603)
Net increase in funds	4,389	5,376	10,463
Net funds at start of period	20,544	10,068	10,068
Effect of foreign exchange rates	140	653	13
Net cash and cash equivalents at end of period	25,073	16,097	20,544

Notes to the interim statement

- The results and the cash flow statement for the half-year ended 31st March 2017 are unaudited and comply with IAS 34 – Interim Financial Reporting as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council. They have been prepared on the basis of accounting policies adopted in the accounts for the year ended 30th September 2016. They comply with International Financial Reporting Standards and JSE listing requirements. The results for the year to 30th September 2016 are an abridged version of the Group's full accounts for that year, which have been filed with the relevant authorities.

These results were prepared under the supervision of Edward Beale, The Company's finance director.

Any reference to the future financial performance of the Group has not been reviewed or reported on by the Group's auditors.

- The segmental analysis of revenue and operating profit is as follows:

	Half years ended 31 st March				Year ended 30 th September 2016	
	2017		2016		US\$000	
	Revenue	Result	Revenue	Result	Revenue	Result
Analysed by activity: -						
Import/distribution	159,702	4,761	114,159	2,691	238,869	5,858
Property	1,390	334	1,569	705	3,064	871
Share of associated companies and joint venture results	-	33	-	19	-	31
	<u>161,092</u>	<u>5,128</u>	<u>115,728</u>	<u>3,415</u>	<u>241,933</u>	<u>6,760</u>
Discontinued operations – Australia						
Import and distribution	-	-	526	(308)	526	(308)
Property	-	-	-	(5)	-	(5)
	<u>161,092</u>	<u>5,128</u>	<u>116,254</u>	<u>3,102</u>	<u>242,459</u>	<u>6,447</u>
Loss on disposal of operations		-		-		(474)
Unallocated expense		(481)		(649)		(1,572)
Other Income		1,137		2,970		5,590
Interest paid		(532)		(526)		(2,502)
Profit before tax		<u>5,252</u>		<u>4,897</u>		<u>7,489</u>
Taxation - continuing operations		(1,894)		(1,944)		(2,992)
- discontinued operations		-		9		9
Profit for the period		<u>3,358</u>		<u>2,962</u>		<u>4,506</u>

Notes to the interim statement (continued)

3. The other expense and income on continuing operations arises from the following:

	31 st March		30 th September
	2017	2016	2016
	US\$000	US\$000	US\$000
Other income			
Investment property revaluations	-	-	1,002
Gain on disposal of investment property	10	2,239	2,300
Other			
Gain on disposal of non-current tangible assets	29	-	24
Recovery of impairment on commercial property	-	-	20
Fair value adjustments on foreign exchange contracts	-	-	1
Dividend income	182	215	556
Interest income	302	271	1,072
Exchange gains	222	229	590
Profit on disposal of investments	392	14	23
	<u>1,137</u>	<u>2,968</u>	<u>5,588</u>
Other expense			
Investment property revaluations	-	-	(84)
Loss on disposal of investments	-	-	(18)
Fair value adjustment on unlisted investment	-	-	-
Fair value adjustments on tangible assets and listed investments	-	-	(200)
	-	-	(36)
Loss on disposal on non-current tangible assets	(15)	(18)	(5)
Exchange losses	(107)	-	(5)
Administration and other expenses	(19,883)	(9,813)	(29,441)
	<u>(20,005)</u>	<u>(9,831)</u>	<u>(29,789)</u>

4. Basic earnings per share are based on results attributable to members and on 35,857,512 shares in issue (2016 – 35,857,512). A reconciliation of basic and headline earnings is shown below.

	31 st March		30 th September
	2017	2016	2016
	US\$000	US\$000	US\$000
Reconciliation between basic and headline earnings			
Basic earnings	2,067	2,433	3,153
Adjusted for:			
Investment property gain on disposal/revaluations	-	(2,265)	(2,346)
Investment property revaluation	-	-	(722)
Loss on disposal of Australian operations	-	-	474
Impairment of non-current asset	-	-	(20)
Effect of change in rate of tax	-	-	185
Reclassification of previously recognised gains on disposal of available for sale investments	(11)	19	(40)
Loss/(profit) on disposal of non-current tangible assets	5	18	(19)
Headline earnings	<u>2,061</u>	<u>205</u>	<u>665</u>
Earnings per share			
Basic earnings per share (US cents)	5.8	6.8	8.8
Headline earnings per share (US cents)	5.8	0.6	1.9

Notes to the interim statement (continued)

5. A geographical analysis of the General Portfolio of investments is as follows:

	31st March	31 st March	30 th September
	2017	2016	2016
	US\$000	US\$000	US\$000
United States of America	9,556	8,505	8,882
United Kingdom	5,047	5,019	5,097
Europe, excluding the U.K.	4,778	4,597	4,947
Switzerland	2,428	2,513	2,756
Japan	1,365	1,394	1,487
	23,174	22,028	23,169
Unlisted – UK	2,213	2,037	2,213
	25,387	24,065	25,382

6. Net assets per share are based on equity attributable to owners of the Company.
7. There was capital expenditure of US\$668,000 during the period (2016 – US\$1,185,000). There was no contracted or outstanding authorised capital expenditure at the reporting date.