

**MARSHALL
MONTEAGLE PLC**

2018
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

22 June 2018

Dear Shareholder,

The Directors report the results for the six months to 31 March 2018 and a dividend declaration.

Results

- Group revenue increased by 21% to US\$194,637,000 compared with the same period last year. In constant currency terms revenue increased by 14% to US\$184,417,000.
- Profit before tax increased by 27% to US\$6,646,000, and in constant currency terms increased by 20% to US\$6,303,000.
- Headline earnings of US\$5.9 cents per share were 2% higher when compared with US\$5.8 cents per share in the same period last year.
- Basic earnings per share of US\$6.4 cents per share were 10% higher when compared with US\$5.8 cents per share in the same period last year.
- An interim dividend of US1.9 cents per share will be paid in July 2018 (2017 – US1.8 cents).
- Net assets per share are US\$2.17 (2017 – US\$1.92). Net assets per share have increased from the 30 September 2017 figure of US\$2.04 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. The investments in property and equities have performed well and all of the import and distribution businesses showed improved overall performance. These are reported on separately below.

As Easter fell at the end of March, 2018 Easter peak trade, debtors and creditors also falls into the first half Group results and capital requirements.

The high tax charge for the period reflects withholding tax on dividends from South African subsidiaries and the write off of deferred tax assets which may not be recoverable.

Import and Distribution

Our import and distribution businesses in food and household consumer products continue to perform well in a changing environment; we are constantly reviewing our supply-chain to ensure that we remain the most cost-effective solution from factory to shelf. Currency and raw material markets have been extremely volatile and we expect similar market conditions in the second half of the year. We are well positioned to navigate these external 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 2016-2017 we witnessed a major global rebalancing of supply and demand covering most metals and minerals and during the first six months of the current financial year the market has come back into balance. 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 ex mine through to delivery to end users on an international basis.

Our state of the art coffee manufacturing plant has successfully implemented British Retail Consortium quality and food safety certification. The volatile currency and coffee prices internationally continue to put pressure on margins.

Our Tool & Machinery import and distribution business continues to show an improvement over last year and is expected to end the year with a much improved profit. Consumer spending continues to decline, making it very difficult to grow sales organically. However, value is being extracted by reducing debt through stronger stock and debtor management

Property Portfolio

Rental income from our large multi-tenanted industrial property in San Diego was higher than the second half of 2017 and the property is fully let. Although at present, the commercial and industrial property market in Southern California remains highly competitive, we continue to seek to invest further in similar property in the region.

The Group's South African commercial and light industrial property portfolio has achieved a steady return in adverse conditions. The Group is increasing its focus on operating efficiencies and raising rental income from the existing estate.

Investment Portfolio

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

Our total net assets amount to US\$2.17 per share, which compares with US\$2.04 per share at 30 September 2017. Assets outside Africa, net of non-controlling interests and proposed dividends, stand at US\$61,111,000, equal to US\$1.70 per share (30 September 2017: US\$1.65); the balance of US\$16,854,000, equal to US\$0.47 per share, is held in South Africa.

Interim Dividend

We are pleased to announce that the Company is to pay an interim dividend of US1.9 cents per share. The dividend is payable on 20 July 2018 to shareholders on the register at the close of business on 13 July 2018.

Prospects

Our trading businesses have had a 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 Monday 18 June 2018. 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 13.6813. 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 18 June 2018.

In respect of the normal gross cash dividend of US1.9 cents (25.99447 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 13 July 2018. All other shareholders are exempt. The gross dividend is for the six-month period ended 31 March 2018 and will be paid on Friday 20 July 2018.

- 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 US1.52 cents (20.79558 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 10 July 2018
Shares trade ex-dividend	Wednesday 11 July 2018
Record date (date shareholders recorded in books)	Friday 13 July 2018
Pay date	Friday 20 July 2018

No dematerialisation or rematerialisation of share certificates, nor transfer of shares between the registers in Jersey and South Africa will take place between Wednesday 11 July 2018 and Friday 13 July 2018, both dates inclusive.

Contacts and Addresses

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Consolidated Statement of Total Comprehensive Income

	Notes	Half years ended 31 March		Year Ended 30 September
		2018 Unaudited US\$000	2017 Unaudited US\$000	2017 Audited US\$000
Continuing operations				
Group revenue	2	194,637	161,092	340,052
Other income	3a	1,611	1,137	3,269
		196,248	162,229	343,321
Change in inventories of finished goods and work in progress		(2,436)	(3,400)	4,938
Finished goods, raw materials and consumables		(151,849)	(124,995)	(283,940)
Employee benefit expense		(8,967)	(7,626)	(16,221)
Depreciation and amortisation expense		(558)	(452)	(927)
Other expenses	3b	(24,694)	(20,005)	(34,490)
Share of associated companies and joint venture's results		40	33	36
Finance Expense		(1,138)	(532)	(2,316)
Profit before taxation on continuing operations	2	6,646	5,252	10,401
Taxation		(2,745)	(1,894)	(2,902)
Profit after taxation		3,901	3,358	7,499
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Profit attributable to owners of the parent		2,298	2,067	4,985
Profit attributable to non-controlling interests		1,603	1,291	2,514
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Basic and fully diluted earnings per share (US cents)	4	6.4c	5.8c	13.9c
Basic and fully diluted earnings per share (US cents) – continuing operations		6.4c	5.8c	13.9c

Consolidated Statement of Total Comprehensive Income (continued)

	Notes	Half years ended		Year ended
		2018	2017	30 September
		Unaudited	Unaudited	Audited
		US\$000	US\$000	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		4,461	784	453
Unrealised (loss)/gain on revaluation of available for sale investments		151	(72)	2,093
Less applicable tax		14	(81)	(223)
Reclassification of previously recognised profits on disposal of available for sale investments		(203)	(11)	(89)
Total of items that may be reclassified		4,423	620	2,234
<i>Items that will not be reclassified subsequently to profit and loss:</i>				
Commercial property fair value adjustments		-	-	510
Less applicable tax		-	-	(85)
		-	-	425
Total Other Comprehensive Income		4,423	620	2,659
Total Comprehensive Income		8,324	3,978	10,158
Total Comprehensive Income attributable to owners of the parent		5,389	2,466	7,388
Total Comprehensive Income attributable to non-controlling interests		2,935	1,512	2,770
Interim dividend per share (US cents)		1.9c	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 31 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
Balances at start of period							
Transfer – release of fair value	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
Half year ended 31 March 2018							
Profit after taxation	-	-	-	2,298	2,298	1,603	3,901
Other Comprehensive Income	-	-	1,743	1,348	3,091	1,332	4,423
Total Comprehensive Income	-	-	1,743	3,646	5,389	2,935	8,324
Transfer – release of fair value							
Balances at start of period	8,964	23,606	(773)	41,460	73,257	9,040	82,297
Transactions with shareholders	-	-	-	-	-	-	-
Dividends paid	-	-	-	(681)	(681)	(1,008)	(1,689)
Balances at end of period	8,964	23,606	970	44,425	77,965	10,967	88,932

Consolidated Statement of Financial Position

	31 March		30 September
	2018	2017	2017
	Unaudited	Unaudited	Audited
	US\$000	US\$000	US\$000
Non-current assets			
Investment property	22,268	20,705	20,923
Property, plant and equipment	12,557	9,477	10,397
Goodwill	209	185	183
Intangible assets	817	537	717
Deferred taxation	2,173	1,415	2,293
Associates	236	186	187
General portfolio – (note 5)	31,258	25,387	27,994
	69,518	57,892	62,694
Current assets			
Inventories	30,505	20,915	29,162
Trade and other receivables	73,580	53,319	57,152
Cash	19,932	31,666	21,177
	124,017	105,900	107,491
Total assets	193,135	163,792	170,185
Current liabilities			
Trade and other payables	(82,760)	(66,788)	(68,096)
Financial liabilities on assets held for sale	-	-	-
Total current liabilities	(82,760)	(66,788)	(62,422)
Net current assets	41,257	39,112	39,395
Total assets less current liabilities	110,775	97,004	102,089
Non-current liabilities			
Accounts payable	(15,312)	(14,338)	(13,571)
Deferred taxation	(6,531)	(5,925)	(6,221)
Total non-current liabilities	(21,843)	(20,263)	(19,792)
	88,932	76,741	82,297
Capital and reserves			
Called up share capital	8,964	8,964	8,964
Share premium account	23,606	23,606	23,606
Other reserves	970	(2,827)	(773)
Retained earnings	44,425	39,237	41,460
Equity attributable to owners of the parent	77,965	68,980	73,257
Non-controlling interests	10,967	7,761	9,040
	88,932	76,741	82,297
Net assets per share US\$ (note 6)	2.17	1.92	2.04

Consolidated Statement of Cash Flow

	31 March 2018 Unaudited US\$000	2017 Unaudited US\$000	30 September 2017 Audited US\$000
Profit for the period	3,901	3,358	7,499
Adjusted for:			
Taxation	2,745	1,894	2,902
Depreciation	558	452	927
Share of associates	(40)	(33)	(36)
Finance expense	1,138	532	2,316
Other income	(1,611)	(1,137)	(3,269)
Other expense –fair value adjustments and losses on disposal	504	15	893
Changes in working capital:			
Decrease in inventories	2,699	3,741	(4,675)
(Increase) in debtors	(10,021)	(4,673)	(11,492)
Increase in creditors	894	7,167	8,171
	<u>767</u>	<u>11,316</u>	<u>236</u>
Interest paid	(1,138)	(532)	(2,316)
Taxation paid	(1,202)	(3,518)	(2,943)
Net cash (outflow)/inflow from operating activities	<u>(1,573)</u>	<u>7,266</u>	<u>(5,023)</u>
Investment activities			
Purchase of, and improvements to, tangible non-current assets	(1,350)	(273)	(1,626)
Proceeds of disposal of tangible assets	6	24	1,452
Purchase of software	-	-	(190)
Acquisition of investments	(3,853)	(318)	(839)
Proceeds on disposal of investments	759	574	280
Dividends received	271	182	693
Interest received	416	302	869
Net cash (outflow)/inflow from investment activities	<u>(3,751)</u>	<u>491</u>	<u>639</u>
Cash (outflow)/inflow before financing	<u>(5,324)</u>	<u>7,757</u>	<u>(4,384)</u>
Financing activities			
Drawdown of long-term loans	1,428	1,491	1,238
Repayment of long term loans	(63)	(2,425)	(56)
Dividends paid – Group shareholders	(681)	(681)	(1,326)
Dividends paid – non-controlling interests of subsidiaries	(1,008)	(1,753)	(1,732)
Cash (outflow) from financing activities	<u>(324)</u>	<u>(3,368)</u>	<u>(1,876)</u>
Net (decrease) increase in funds	(5,648)	4,389	(6,260)
Net funds at start of period	14,337	20,544	20,544
Effect of foreign exchange rates	(1,021)	140	53
Net cash and cash equivalents at end of period	<u>7,668</u>	<u>25,073</u>	<u>14,337</u>

Notes to the interim statement

1. The results and the cash flow statement for the half-year ended 31 March 2018 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 30 September 2017. They comply with International Financial Reporting Standards and JSE listing requirements. The results for the year to 30 September 2017 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 Group’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.

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

	Half years ended 31 March				Year ended 30 September 2017	
	2018 US\$000		2017 US\$000		US\$000	
	Revenue	Result	Revenue	Result	Revenue	Result
Analysed by activity: -						
Import/distribution	193,053	6,867	159,702	4,761	337,256	11,022
Property	1,584	496	1,390	334	2,796	421
Share of associated companies and joint venture results	-	40	-	33	-	36
	194,637	7,403	161,092	5,128	340,052	11,479
Unallocated expense		(1,230)		(481)		(2,031)
Other Income		1,611		1,137		3,269
Interest paid		(1,138)		(532)		(2,316)
Profit before tax		6,646		5,252		10,401
Taxation		(2,745)		(1,894)		(2,902)
Profit for the period		3,901		3,358		7,499

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

	31 March		30 September	
	2018 US\$000	2017 US\$000	2017 US\$000	2017 US\$000
a. Other income				
Investment property revaluations	-	-	-	494
Gain on disposal of investment property	-	10	-	-
Gain on disposal of non-current tangible assets	-	29	-	25
Recovery of impairment on commercial property	-	-	-	37
Fair value adjustments on foreign exchange contracts	-	-	-	64
Dividend income	251	182	182	657
Interest and other income	467	302	302	1,341
Exchange gains	665	222	222	255
Profit on disposal of investments	227	392	392	396
	1,611	1,137	1,137	3,269

Notes to the interim statement (continued)

	31 March 2018 US\$000	31 March 2017 US\$000	30 September 2017 US\$000
b. Other expense			
Investment property revaluations	-	-	(221)
Loss on disposal on non-current tangible assets	(19)	(15)	(18)
Exchange losses	(485)	(107)	(654)
Administration and other expenses	(24,190)	(19,883)	(33,597)
	(24,694)	(20,005)	(34,490)

4. Basic earnings per share are based on results attributable to members and on 35,857,512 shares in issue (2017 – 35,857,512). A reconciliation of basic and headline earnings is shown below.

	31 March 2018 US\$000	31 March 2017 US\$000	30 September 2017 US\$000
Reconciliation between basic and headline earnings			
Basic earnings	2,298	2,067	4,985
Adjusted for:			
Investment property gain on disposal/revaluations	-	-	(88)
Investment property revaluation	-	-	(229)
Impairment of non-current asset	-	-	(37)
Reclassification of previously recognised gains on disposal of available for sale investments	(203)	(11)	(89)
Loss/(profit) on disposal of non-current tangible assets	19	5	(7)
Headline earnings	2,113	2,061	4,535
Earnings per share			
Basic earnings per share (US cents)	6.4	5.8	13.9
Headline earnings per share (US cents)	5.9	5.8	12.6

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

	31 March 2018 US\$000	31 March 2017 US\$000	30 September 2017 US\$000
United States of America	10,513	9,556	9,951
United Kingdom	8,401	5,047	5,911
Europe, excluding the U.K.	5,201	4,778	5,422
Switzerland	2,486	2,428	2,650
Japan	1,686	1,365	1,435
	28,287	23,174	25,369
Unlisted – UK	2,971	2,213	2,625
	31,258	25,387	27,994

6. Net assets per share are based on equity attributable to owners of the Company.
7. There was capital expenditure of US\$1,350,000 during the period (2017 – US\$668,000). There was no contracted or outstanding authorised capital expenditure at the reporting date.