



MARSHALL
MONTEAGLE
PLC

INTERIM
REPORT 2013



MARSHALL MONTEAGLE PLC
(Incorporated in Jersey, Registered No. 102785)

Registered Office:
15 Union Street,
St. Helier, Jersey, JE2 3RF
Channel Islands
10th June 2013

Dear Shareholder,

The Directors report results for the six months to 31st March 2013.

Results

- Group revenue increased by 9% to US\$109,975,000 for the six month period compared with the same period last year. In constant currency terms sales increased to US\$122,056,000 (20%).
- Operating profit decreased by 3% to US\$3,627,000, but in constant currency terms increased by 7% to US\$4,004,000.
- Headline earnings of 4.5 cents compared to 8.0 cents in the same period last year, as exceptional profits were realised last year from the South African equity portfolio.
- An interim dividend of 1.7 cents is to be paid in July (2012 – 1.6 cents).
- Net assets per share US\$1.80 (2012 - US\$1.87). Net assets per share have declined marginally from the 30th September 2012 figure of US\$1.81 per share; unfavourable exchange rate movements being mitigated by substantial increases in value of the investment portfolios and operating profits.

Import and Distribution

Our import and distribution business in food and household consumer products achieved a similar level of trade to the first six months of last year. The economic environment remains challenging with volatile raw material pricing, inconsistent availability of certain product lines and significant currency movements. This division provides procurement, supply chain and risk management services to multiple retailers, wholesalers and manufacturers in Southern and Central Africa, Indian Ocean Islands and Australia. The business remains committed to working with suppliers of quality raw materials, skilled technologists and top quality production facilities. Partnerships with key producers are paramount to the success of the business and this division continues to further develop its international network. Management remain committed to making improvements to the supply-chain for the benefit of their customers. They also continue to look at opportunities in new markets such as India and the Middle East.

Our coffee business performed well during the six months with turnover and profits both up on the comparative period, but management are expecting the second half of the year to be significantly more challenging. The business markets its products to multiple retailers and the hospitality sector in South Africa.

Our tool and machinery import and distribution businesses had another tough start to the year with pressure on margins and an environment that remains fiercely competitive. Despite the challenging conditions, the business's ductile iron water pipe division has secured some meaningful contracts and management are cautiously optimistic that profits for this business for the year will be up on 2012.

Property Portfolio

Rental income from our large multi-tenanted industrial property in San Diego increased slightly during the period. The commercial and industrial property market in Southern California remains challenging, but demand for industrial space has definitely increased and the property still enjoys a low vacancy rate.

The Group's South African commercial and light industrial property portfolio had a satisfactory six months despite tough trading conditions experienced by the majority of its tenants.

Investment Portfolio

Quantitative easing programs by central banks of the developed world played a big role in the strength of global equities during the period and the Group's portfolio of quality equities appreciated substantially. We are more cautious about the remainder of the financial year, but intend to add to many of our holdings when buying opportunities arise.

Halogen Holdings P.L.C. (unlisted associate)

In May 2013 Heartstone Inns merged with the tax efficient pub vehicle with which it has historically enjoyed a management relationship. The combined entity is now comprised of nine quality pubs and management have plans to raise further capital to acquire additional units.

Net Assets

Assets outside Africa, net of non-controlling interests and proposed dividends, stand at US\$31,465,000, equal to US\$0.88 per share (30th September 2012: US\$0.75); the balance of US\$32,538,000, equal to US\$0.91 per share, is held in South Africa. Our total net assets, allowing for proposed dividend, amount to US\$1.80 per share which compares to US\$1.81 per share at 30th September 2012.

Interim dividend

We are pleased to announce that the Company is to pay an interim dividend of US1.7 cents per share. The dividend is payable on 12th July 2013 to shareholders on the register at the close of business on 28th June 2013.

Group Staff

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

Prospects

The Board find these results satisfactory in light of the challenging trading conditions and global economic uncertainty. Our conservative policies and diversity within the group give us confidence that we can continue to enhance shareholder value in the long term.

E.J. Beale
Chairman

D.C. Marshall
Chief Executive

Details of interim dividend

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 7th June 2013. In order to comply with the requirements of Strate the relevant details are as follows;

In respect of the normal gross cash dividend, 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, all other shareholders are exempt.

- the dividend has been declared from income reserves
- the dividend withholding tax rate is 15% resulting in a net dividend of US1.445 cents (14.38035 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	Friday 21st June 2013
Shares trade ex dividend	Monday 24th June 2013
Record date (date shareholders recorded in books)	Friday 28th June 2013
Pay date	Friday 12th July 2013

Shareholders are hereby advised that the exchange rate to be used will be USD 1 = ZAR 9.9518. This has been calculated as the average of the bid/ask spread at 16.00 (United Kingdom time) being the close of business on 7th June 2013. Consequently the dividend of US 1.7 cents will be equal to 16.91806 South African cents.

No dematerialisation or rematerialisation of share certificates, nor transfer of shares between the registers in Jersey and South Africa will take place between Monday 24th June and Friday 28th June 2013, both dates inclusive.

Consolidated Statement of Comprehensive Income

		Half years ended 31st March 2013	2012	Year ended 30th September 2012
	Notes	Unaudited US\$000	Unaudited US\$000	Audited US\$000
Comprehensive Income:				
Group revenue	2	109,975	101,297	210,183
Operating costs		(106,348)	(97,560)	(201,533)
Operating profit		3,627	3,737	8,650
Share of associated company's results		(92)	(138)	(196)
Income from investments – dividends		221	172	518
– interest		60	338	835
Interest paid		(898)	(1,025)	(2,533)
Exchange gains/(losses)		115	78	(276)
Other income	3	40	1,040	2,265
Profit before taxation	2	3,073	4,202	9,263
Taxation		(814)	(1,642)	(2,671)
Profit after taxation		2,259	2,560	6,592
Profit attributable to owners of the parent				
Profit attributable to non-controlling interests		724	701	1,537
Exchange differences on translation into US dollars of the financial statements of foreign entities				
Commercial property revaluations		(3,967)	3,067	(1,363)
Unrealised gain on revaluation of available for sale investments		–	–	394
Reclassification of previously recognised profits on disposal of available for sale investments		2,004	2,252	2,502
		(86)	(731)	(721)
Total Comprehensive Income		210	7,148	7,404
Total Comprehensive Income attributable to owners of the parent				
Total Comprehensive Income attributable to non-controlling interests		369	6,445	5,908
		(159)	703	1,496
Interim dividend per share (US cents)				
Recommended final dividend (US cents)		1.7c	1.6c	1.6c
		–	–	1.7c
Reconciliation between basic and headline earnings				
Basic earnings	4	1,535	1,859	5,055
Adjusted for:				
Investment property revaluations		–	–	(1,214)
Reclassification of previously recognised losses on disposal of available for sale investments		86	731	721
Headline earnings	4	1,621	2,590	4,562

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 US\$000	Non- Controlling Interests US\$000	Group total US\$000
Half year ended 31st March 2012							
Balances at start of period	8,964	23,606	2,393	26,422	61,385	10,285	71,670
Transactions with shareholders							
Dividends paid	—	—	—	(574)	(574)	(384)	(958)
Total comprehensive income	—	—	4,360	2,085	6,445	703	7,148
Balances at end of period	<u>8,964</u>	<u>23,606</u>	<u>6,753</u>	<u>27,933</u>	<u>67,256</u>	<u>10,604</u>	<u>77,860</u>
Half year ended 31st March 2013							
Balances at start of period	8,964	23,606	3,425	28,859	64,854	10,858	75,712
Transactions with shareholders							
Dividends paid	—	—	—	(610)	(610)	(327)	(937)
Total comprehensive (expense)/income	—	—	(1,166)	1,535	369	(159)	210
Balances at end of period	<u>8,964</u>	<u>23,606</u>	<u>2,259</u>	<u>29,784</u>	<u>64,613</u>	<u>10,372</u>	<u>74,985</u>

Consolidated Statement of Financial Position

	31st March		30th September
	2013	2012	2012
	Unaudited	Unaudited	Audited
	US\$000	US\$000	US\$000
Non-current assets			
Investment property	27,896	30,642	29,925
Property, plant and equipment	8,988	9,501	9,926
Goodwill	257	553	286
Deferred taxation	612	–	920
Investments			
Associate	1,587	1,738	1,679
Joint venture	156	–	173
General portfolio – (note 5)	16,759	14,208	14,653
	<u>56,255</u>	<u>56,642</u>	<u>57,562</u>
Current assets			
Inventories	25,538	27,970	28,249
Accounts receivable	39,146	43,069	40,838
Other financial assets	258	1,403	121
Tax recoverable	665	551	484
Cash	19,930	12,528	15,859
	<u>85,537</u>	<u>85,521</u>	<u>85,551</u>
Current liabilities			
Accounts payable	(47,384)	(46,539)	(47,519)
Other financial liabilities	–	–	(85)
Tax payable	(447)	(1,309)	(225)
	<u>37,706</u>	<u>37,673</u>	<u>37,722</u>
Total assets less current liabilities	93,961	94,315	95,284
Non-current liabilities			
Accounts payable	(13,646)	(13,470)	(13,811)
Deferred taxation	(5,330)	(2,985)	(5,761)
	<u>74,985</u>	<u>77,860</u>	<u>75,712</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	2,259	6,753	3,425
Retained earnings	29,784	27,933	28,859
	<u>64,613</u>	<u>67,256</u>	<u>64,854</u>
Equity attributable to owners of the parent	64,613	67,256	64,854
Non-controlling interests	10,372	10,604	10,858
	<u>74,985</u>	<u>77,860</u>	<u>75,712</u>
Net assets per share US\$ (note 6)	1.80	1.87	1.81

Consolidated Statement of Cash Flow

	Half years ended		Year ended
	31st March	30th September	
	2013	2012	2012
	Unaudited	Unaudited	Audited
	US\$000	US\$000	US\$000
Revenue	109,975	101,297	210,183
Operating costs	(106,348)	(97,560)	(201,533)
Operating activities			
Operating profit	3,627	3,737	8,650
Adjusted for:			
Depreciation	444	717	887
Changes in working capital:			
Decrease/(Increase) in inventories	37	(2,449)	(3,026)
Increase in debtors	(1,632)	(11,563)	(9,345)
Increase/(Decrease) in creditors	3,877	(977)	3,923
Cash generated/(absorbed) by operations	6,353	(10,535)	1,089
Interest paid	(898)	(1,025)	(2,533)
Taxation paid	(691)	(924)	(2,503)
Net cash inflow/(outflow) from operating activities	4,764	(12,484)	(3,947)
Investment activities			
Purchase of, and improvements to, tangible non-current assets	(353)	(250)	(797)
Proceeds of disposal of tangible assets	-	-	117
Investment in associate	-	(365)	(365)
Investment in joint venture	-	-	(173)
Acquisition of investments	(713)	(60)	(877)
Proceeds on disposal of investments	554	4,621	5,230
Dividends received	221	172	518
Interest received	60	338	835
Net cash (outflow)/inflow from investment activities	(231)	4,456	4,488
Cash inflow/(outflow) before financing	4,533	(8,028)	541
Financing activities			
Net increase in long term debt	373	1,939	2,281
Cost of delisting subsidiary	-	-	(14)
Dividends paid - Group shareholders	(610)	(574)	(1,148)
Dividends paid - non-controlling interests of subsidiaries	(327)	(384)	(923)
Net cash (outflow)/ inflow from financing activities	(564)	981	196
Net increase/(decrease) in funds	3,969	(7,047)	737
Net funds at start of period	12,173	11,538	11,538
Effect of foreign exchange rates	(143)	458	(102)
Net cash and cash equivalents at end of period	15,999	4,949	12,173

Notes to the interim statement

1. The results and the cash flow statement for the half-year ended 31st March 2013 are unaudited and comply with IAS 34 – Interim Financial Reporting. They have been prepared on the basis of accounting policies adopted in the accounts for the year ended 30th September 2012. They comply with International Financial Reporting Standards and JSE listing requirements. The results for the year to 30th September 2012 are an abridged version of the Group's full accounts for that year, which have been filed with the relevant authorities.

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

	Half years ended 31st March 2013		2012		Year ended 30th September 2012	
	Revenue	Result	Revenue	Result	Revenue	Result
	US\$000		US\$000		US\$000	
Analysed by activity:						
Import/distribution	107,658	3,317	98,910	3,308	205,641	7,913
Property	2,301	905	2,387	949	4,526	1,664
Other	16	(199)	–	68	16	150
	<u>109,975</u>	<u>4,023</u>	<u>101,297</u>	<u>4,325</u>	<u>210,183</u>	<u>9,727</u>
Share of associated company's results		(92)		(138)		(196)
Interest paid		(898)		(1,025)		(2,533)
		<u>3,033</u>		<u>3,162</u>		<u>6,998</u>
Other income (note 3)		40		1,040		2,265
Profit before tax		<u>3,073</u>		<u>4,202</u>		<u>9,263</u>

3. The other income arises from the following.

	31st March 2013	30th September 2012	2012
	US\$000	US\$000	US\$000
Investment property revaluations	–	–	1,214
Profit on disposal of investments	28	1,056	1,052
Fair value adjustments on derivative instruments	12	–	14
Re-organisation costs	–	(16)	(15)
Other income	<u>40</u>	<u>1,040</u>	<u>2,265</u>

4. Basic earnings per share are based on results attributable to members and on 35,857,512 shares in issue (2012 – 35,857,512). A reconciliation of basic and headline earnings is shown above.

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

	31st March 2013 US\$000	30th September 2012 US\$000	2012 US\$000
United Kingdom	3,965	3,326	3,646
United States of America	4,820	3,811	4,046
Europe, excluding the U.K.	4,216	3,612	3,739
Switzerland	2,408	2,215	1,948
Japan	1,064	958	987
	16,473	13,922	14,366
Unlisted – Europe and other	286	286	287
	16,759	14,208	14,653

6. Net assets per share are based on equity attributable to owners of the Company.
7. There was capital expenditure of US\$353,000 during the period (2012 – US\$250,000). There was no contracted or outstanding authorised capital expenditure at the reporting date.

