

**MARSHALL
MONTEAGLE PLC**

2016
INTERIM REPORT
AND DIVIDEND DECLARATION



Marshall
Monteagle

Marshall Monteagle PLC

Incorporated in Jersey, Registered No. 102785)

Registered Office:
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Channel Islands

9 June 2016

Dear Shareholder,

The Directors report the results for the six months to 31st March 2016 and a dividend declaration.

Results

- Group revenue decreased by 7% to US\$116,254,000 compared with the same period last year. In constant currency terms sales increased by 19% to US\$147,543,000.
- Profit before tax increased by 5% to US\$4,897,000, and in constant currency terms increased by 28% to US\$6,418,000.
- Gain of US\$2,239,000 on disposal of six South African properties.
- Headline earnings of US 0.6 cents per share compared to US 5.9 cents per share in the same period last year, reflecting adverse currency conditions.
- An interim dividend of US 1.8 cents per share is to be paid in July 2016 (2015 – US 1.8 cents).
- Net assets per share are US\$1.80 (2015 – US\$1.82). Net assets per share have increased from the 30th September 2015 figure of US\$1.75 per share; unfavourable exchange rate movements being offset by increases in operating profits and the value of the investment portfolios.

Import and Distribution

Our import and distribution businesses in food and household consumer products continue to perform well despite continued pricing pressure from multiple retailers. During the first half of the 2016 financial year we experienced extremely volatile currency movements and raw material pricing, but we are well positioned to navigate these exogenous factors. 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 good progress and we are developing new partnerships with miners in Southern Africa and end users on an international basis. During the second half of calendar 2015 we witnessed a total meltdown in commodity prices, specifically metals, minerals and energy products, placing these commodities at 16 year lows. A major global rebalancing of supply and demand is currently taking place and we anticipate continued volatility throughout the remainder of 2016. 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.

Our coffee manufacturing and distribution business managed to grow sales during the first half of the year, but volatile currency movements and pricing issues meant that margins came under pressure. This business manufactures and distributes coffee to multiple retailers and the hospitality sector in South Africa. It also imports and distributes raw green beans to small to medium sized roasters in the local market.

Results from our tool and machinery import and distribution businesses were below the first half of 2015, the main reason being lower demand for generators in South Africa as a result of a stable power grid. The pipe division secured a large contract during the period and is tendering on various future projects.

Property Portfolio

Rental income from our large multi-tenanted industrial property in San Diego was better than the first half of 2015 and the property continues to enjoy a low vacancy rate. The commercial and industrial property market in Southern California remains strong and we are looking at investing further in the region.

During February 2016 we completed the sale of six properties in Durban, South Africa, for the gross amount of US\$6,251,000. The gain on the sale amounted to US\$2,239,000 and the proceeds are earmarked for further property in the US. The Group's remaining South African commercial and light industrial property portfolio had a satisfactory six months despite an ailing local economy.

Investment Portfolio (listed)

Equity markets had a volatile six months, but our concentrated list of quality international equities showed healthy appreciation and dividend income was higher than the first half of 2015. During the period we exited our position in Wal-Mart Stores and added to our Johnson & Johnson and Brown Forman holdings.

Heartstone Inns Limited (unlisted)

The pub group has enjoyed a good start to 2016 with most units performing better than they did at the start of last year. Management are actively looking at acquiring additional units.

Net Assets

Assets outside Africa, net of non-controlling interests and proposed dividends, stand at US\$40,459,000, equal to US\$1.13 per share (30th September 2015: US\$1.00); the balance of US\$23,588,000, equal to US\$0.67 per share, is held in South Africa. Our total net assets, allowing for the proposed dividend, amount to US\$1.80 per share which compares to US\$1.75 per share at 30th September 2015.

Interim Dividend

We are pleased to announce that the Company is to pay an interim dividend of US 1.8 cents per share. The dividend is payable on 8th July 2016 to shareholders on the register at the close of business on 1st July 2016.

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

Given the relatively high valuations of global equities and the continued volatility in the developing world, the Board remain cautious about the remainder of the year. However, our conservative policies and strong balance sheet give us confidence that we can continue to enhance shareholder value in the long term.

E.J. Beale
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 6th June 2015. 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 14.9113. 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, 6th June 2016.

In respect of the normal gross cash dividend of US1.8 cents (26.84034 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, 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 US1.53 cents (22.81429) 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 24 th June 2016
Shares trade ex-dividend	Monday 27 th June 2016
Record date (date shareholders recorded in books)	Friday 1st July 2016
Pay date	Friday 8 th July 2016

No dematerialisation or rematerialisation of share certificates, nor transfer of shares between the registers in Jersey and South Africa will take place between Monday, 27th June and Friday, 1st July 2015, both dates inclusive.

Consolidated Statement of Total Comprehensive Income

	Notes	Half years ended 31 st March		Year Ended 30 th September
		2016 Unaudited US\$000	2015 Unaudited US\$000	2015 Audited US\$000
Group revenue	2	116,254	124,462	260,595
Other income	3	2,970	491	3,659
		119,224	124,953	264,254
Change in inventories of finished goods and work in progress		(3,699)	1,835	6,614
Finished goods, raw materials and consumables		(92,908)	(100,266)	(214,738)
Employee benefit expense		(6,361)	(7,901)	(15,156)
Depreciation and amortisation expense		(404)	(359)	(835)
Other expenses	3	(10,448)	(12,692)	(28,489)
Share of associated companies and joint venture's results		19	(25)	(16)
Finance expense		(526)	(879)	(2,338)
Profit before taxation	2	4,897	4,666	9,296
Taxation		(1,935)	(1,218)	(2,630)
Profit after taxation		2,962	3,448	6,666
Profit attributable to owners of the parent		2,433	2,268	4,819
Profit attributable to non-controlling interests		529	1,180	1,847
Basic and fully diluted earnings per share (US cents)	4	6.8c	6.3c	13.4c
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		(2,179)	(2,954)	(7,441)
Unrealised gain on revaluation of available for sale investments		1,764	1,123	(414)
Reclassification of previously recognised profits on disposal of available for sale investments		19	(149)	(149)
		(396)	(1,980)	(8,004)
<i>Items that will not be reclassified subsequently to profit and loss:</i>				
Commercial property fair value adjustments, net of applicable tax		-	-	322
Share of associated companies and joint venture's results		-	-	444
		-	-	766
Total Other Comprehensive Income		(396)	(1,980)	(7,238)
Total Comprehensive Income		2,566	1,468	(572)

Consolidated Statement of Total Comprehensive Income (continued)

Total Comprehensive Income attributable to owners of the parent	2,225	1,028	(816)
Total Comprehensive Income attributable to non-controlling interests	341	440	244

Interim dividend per share (US cents)	1.8c	1.8c	1.8c
Final dividend per share (US cents)	-	-	1.8c

Reconciliation between basic and headline earnings

Basic earnings	4	2,433	2,268	4,819
Adjusted for:				
Investment property gain on disposal/revaluations		(2,265)	-	(1,812)
Impairment of non-current asset		-	-	246
Reclassification of previously recognised gains on disposal of available for sale investments		19	(149)	(149)
Loss on disposal of non-current tangible assets		18	-	2
Headline earnings		205	2,119	3,106

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 2015							
Profit after taxation	-	-	-	2,268	2,268	1,180	3,448
Other Comprehensive Income	-	-	(24)	(1,216)	(1,240)	(740)	(1,980)
Total Comprehensive Income	-	-	(24)	1,052	1,028	440	1,468
Balances at start of period	8,964	23,606	(105)	32,506	64,971	9,448	74,419
Transactions with shareholders							
Dividends paid	-	-	-	(654)	(654)	-	(654)
Balances at end of period	<u>8,964</u>	<u>23,606</u>	<u>(129)</u>	<u>32,904</u>	<u>65,345</u>	<u>9,888</u>	<u>75,233</u>
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
Transfer – release of fair value	-	-	(3,079)	3,079	-	-	-
Balances at start of period	8,964	23,606	(861)	31,155	62,864	8,576	71,440
Transactions with shareholders							
Dividends paid	-	-	-	(643)	(643)	(68)	(711)
Balances at end of period	<u>8,964</u>	<u>23,606</u>	<u>(3,273)</u>	<u>35,393</u>	<u>64,690</u>	<u>8,605</u>	<u>73,295</u>

Consolidated Statement of Financial Position

	31 st March		30 th September
	2016	2015	2015
	Unaudited	Unaudited	Audited
	US\$000	US\$000	US\$000
Non-current assets			
Investment property	22,131	27,210	27,472
Property, plant and equipment	9,321	8,808	8,919
Goodwill	169	205	179
Intangible assets	490	594	521
Deferred taxation	1,119	869	1,140
Investments			
Associates	181	2,331	2,383
General portfolio – (note 5)	24,065	21,416	20,042
	<u>57,476</u>	<u>61,433</u>	<u>60,656</u>
Current assets			
Inventories	23,494	27,618	28,859
Trade and other receivables	45,874	39,773	38,986
Cash	21,445	19,300	18,644
	<u>90,813</u>	<u>86,691</u>	<u>86,489</u>
Total assets	<u>148,289</u>	<u>148,124</u>	<u>147,145</u>
Current liabilities			
Trade and other payables	(57,058)	(54,959)	(57,710)
Total current liabilities	<u>(57,058)</u>	<u>(54,959)</u>	<u>(57,710)</u>
Net current assets	<u>33,755</u>	<u>31,732</u>	<u>28,779</u>
Total assets less current liabilities	<u>91,231</u>	<u>93,165</u>	<u>89,435</u>
Non-current liabilities			
Accounts payable	(12,396)	(11,349)	(11,671)
Deferred taxation	(5,540)	(6,583)	(6,324)
Total non-current assets	<u>(17,936)</u>	<u>17,932</u>	<u>(17,995)</u>
	<u>73,295</u>	<u>75,233</u>	<u>71,440</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	(3,273)	(129)	(861)
Retained earnings	35,393	32,904	31,155
Equity attributable to owners of the parent	<u>64,690</u>	<u>65,345</u>	<u>62,864</u>
Non-controlling interests	8,605	9,888	8,576
	<u>73,295</u>	<u>75,233</u>	<u>71,440</u>
Net assets per share US\$ (note 6)	1.80	1.82	1.75

Consolidated Statement of Cash Flow

	31 st March 2016	2015	30 th September 2015
	Unaudited US\$000	Unaudited US\$000	Audited US\$000
Revenue	116,254	124,462	260,595
Operating, other costs and finance expense	<u>(111,357)</u>	<u>(119,796)</u>	<u>(251,299)</u>
Profit before tax	4,897	4,666	9,296
Adjusted for:			
Depreciation	404	418	835
Share of associates	(19)	25	16
Finance expense	526	879	2,338
Other income	(2,970)	(491)	(3,659)
Other expense – loss on tangible assets	-	-	2
Other expense – impairment	-	-	246
Changes in working capital:			
Decrease/(Increase) in inventories	3,918	(1,442)	(5,800)
Increase in debtors	(6,450)	(3,747)	(6,966)
(Decrease)/Increase in creditors	(820)	8,267	11,606
	<u>(514)</u>	<u>8,575</u>	<u>7,914</u>
Interest paid	(526)	(879)	(2,338)
Taxation paid	264	(763)	(1,544)
Net cash (outflow)/inflow from operating activities	<u>(776)</u>	<u>6,933</u>	<u>4,032</u>
Investment activities			
Purchase of, and improvements to, tangible non-current assets	(1,076)	(1,185)	(2,705)
Proceeds of disposal of tangible assets	6,465	61	84
Acquisition of investments	(599)	(1,886)	(2,088)
Proceeds on disposal of investments	421	808	1,165
Dividends received	215	200	519
Interest received	273	127	712
Net cash inflow/(outflow) from investment activities	<u>5,699</u>	<u>(1,875)</u>	<u>(2,313)</u>
Cash inflow before financing	<u>4,923</u>	<u>5,058</u>	<u>1,719</u>
Financing activities			
Net increase/(decrease) in long term debt	1,164	611	1,153
Dividends paid – Group shareholders	(643)	(645)	(1,291)
Dividends paid – non-controlling interests of subsidiaries	(68)	-	(1,116)
Cash inflow/(outflow) from financing activities	<u>453</u>	<u>(34)</u>	<u>(1,254)</u>
Net increase in funds	5,376	5,024	465
Net funds at start of period	10,068	10,340	10,340
Effect of foreign exchange rates	653	(195)	(737)
Net cash and cash equivalents at end of period	<u>16,097</u>	<u>15,169</u>	<u>10,068</u>

Notes to the interim statement

1. The results and the cash flow statement for the half-year ended 31st March 2016 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 2015. They comply with International Financial Reporting Standards and JSE listing requirements. The results for the year to 30th September 2015 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 Lloyd Marshall, 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.

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

	Half years ended 31 st March				Year ended 30 th September 2015	
	2016		2015		US\$000	
	Revenue	Result	Revenue	Result	Revenue	Result
Analysed by activity:-						
Import/distribution	111,412	2,383	122,582	4,830	256,646	8,057
Property	1,569	700	1,880	765	3,949	1,601
Share of associated companies and joint venture results		19	-	(25)	-	(16)
	112,981	3,102	<u>124,462</u>	<u>5,570</u>	<u>260,595</u>	<u>9,642</u>
Unallocated costs		(649)		(516)		(1,667)
Other Income		2,970		491		3,659
Interest paid		(526)		(879)		(2,338)
Profit before tax		4,897		<u>4,666</u>		<u>9,296</u>

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

	31 st March		30 th September
	2016	2015	2015
	US\$000	US\$000	US\$000
Other income			
Investment property revaluations	-	-	2,313
Realised profit on disposal of investment property	2,239	-	-
Fair value adjustments on derivative instruments	-	-	1
Dividend income	215	200	519
Interest income	273	127	712
Exchange gains	229	56	9
Profit on disposal of investments	14	108	105
	2,970	<u>491</u>	<u>3,659</u>
Other expense			
Impairment of plant	-	-	(246)
Loss on disposal on non-current tangible assets	(18)	-	(2)
Re-organisation costs	(37)	-	-
Administration and other expenses	(10,393)	(12,692)	(28,241)
	(10,448)	<u>(12,962)</u>	<u>(28,489)</u>

Notes to the interim statement (continued)

4. Basic earnings per share are based on results attributable to members and on 35,857,512 shares in issue (2015 – 35,857,512). A reconciliation of basic and headline earnings is shown above.

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

	31st March 2016 US\$000	31 st March 2015 US\$000	30 th September 2015 US\$000
United States of America	8,505	8,125	7,510
United Kingdom	5,019	4,652	4,773
Europe, excluding the U.K.	4,597	4,803	4,238
Switzerland	2,513	2,604	2,327
Japan	1,394	1,232	1,194
	22,028	21,416	20,042
Unlisted – UK	2,037	-	-
	24,065	21,416	20,042

6. Net assets per share are based on equity attributable to owners of the Company.

7. There was capital expenditure of US\$1,076,000 during the period (2015 – US\$1,185,000). There was no contracted or outstanding authorised capital expenditure at the reporting date.