

**MARSHALL
MONTEAGLE PLC**

2019
INTERIM REPORT
AND DIVIDEND DECLARATION



Marshall Monteagle PLC

Incorporated in Jersey, Registered No. 102785

Registered Office:
2nd Floor, Gaspé House
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St. Helier, Jersey, JE1 1GH
Channel Islands

3 June 2019

Dear Shareholder,

The Directors report the results for the six months to 31 March 2019 and a dividend declaration.

Results

- Group revenue increased by 11% to US\$216,676,000 compared with the same period last year. In constant currency terms revenue increased by 16% to US\$226,157,000.
- Profit before tax decreased by 12% to US\$5,771,000 compared to the restated profit before tax of US\$6,594,000 (see Note 1 on page 9), and in constant currency terms decreased by 8% to US\$6,052,000.
- Headline earnings of US6.9 cents per share were 0.4% higher when compared with restated US6.4 cents per share in the same period last year.
- Basic earnings per share of US6.9 cents per share were 0.9% higher when compared with restated US6.3 cents per share in the same period last year.
- An interim dividend of US1.9 cents per share will be paid in June 2019 (2018 – US1.9 cents).
- Net assets per share are US\$2.28 (2018 – US\$2.17). Net assets per share have increased slightly from the 30 September 2018 figure of US\$2.25 per share.

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 very challenging global retail market and we continue to constantly review our shipping and supply-chain to ensure that we remain the most cost effective solution from factory to shelf. During the six month period under review we achieved a pleasing increase in turnover and product volumes shipped. Currency and raw material markets remain volatile and we expect these market conditions to continue throughout the remainder of this year and potentially into the new year. These factors and increased competition have constrained profitability in the period and are expected to impact on returns for the rest of the year. These businesses provide procurement, supply chain and risk management services to multiple retailers, wholesalers and manufacturers throughout Southern and Central Africa and South America. 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 the six months under review the producer and end-user markets we trade in have come back into a reasonable balance and we have achieved a pleasing increase in turnover and volumes shipped. This division provides fully integrated marketing, logistics, finance and shipping services to the Southern African mining industry. 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.

We own 50% of the logistics business supporting these operations. During the period board changes at this subsidiary have resulted in it now being accounted for as an associate.

The political and economic environment in South Africa has made trading conditions in our Coffee business more volatile, with consumers being increasingly cash conscious. We have managed to increase sales by freezing prices, however, exchange rate and coffee price volatility continue to put pressure on margins.

Our Tool & Machinery business continues to improve. A pleasing increase in sales of 8% was achieved, despite a reduction in consumer spending coupled with a lack of business confidence, which has negatively impacted our target market. Our growth has been achieved by expanding our offering to our key customers.

The Group continues to fund the additional working capital requirements of these growing trading businesses from its cash resources.

Property Portfolio

Rental income from our large multi-tenanted industrial property in San Diego has continued to grow and the property remains fully let. The market for the purchase of commercial and industrial property in Southern California remains highly competitive and speculative. We have suspended our proactive search to invest further in similar property in the region until the speculative market subsides to a more affordable level.

The Group's South African commercial and light industrial property portfolio has achieved a decent return in an adverse economic climate. The Group is maintaining its focus on administrative and operating efficiencies as the demand for premises continues to be flat.

Investment Portfolio

Stock markets were little changed over the period, but adverse exchange rate variances have led to a small fall in the value of our investment portfolio.

Net Assets

Our total net assets amount to US\$2.28 per share, which compares with US\$2.25 per share at 30 September 2018. Assets outside Africa, net of non-controlling interests and proposed dividends, stand at US\$66,488,000, equal to US\$1.85 per share (30 September 2018: US\$1.79); the balance of US\$15,146,000, equal to US\$0.43 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 28 June 2019 to shareholders on the register at the close of business on 21 June 2019.

Prospects

We have had a good start to the year, however headwinds are continuing to increase, and we expect the second half to be even more difficult. We are invested in businesses with good management teams, supported by the Group's strong balance sheet. While the short term outlook is as ever unclear, we are confident that we can continue to grow shareholder value over 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 Thursday 30 May 2019. 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 14.6888. This has been calculated as the average of the bid/ask spread at 16.00 (United Kingdom time) being the close of business on Thursday 30 May 2019.

In respect of the normal gross cash dividend of US1.9 cents (27.90872 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 21 June 2019. All other shareholders are exempt. The gross dividend is for the six-month period ended 31 March 2019 and will be paid on Friday 28 June 2019.

- The dividend has been declared from income reserves, which funds are sourced from the Jersey holding company's main bank account in Switzerland.
- The dividend withholding tax rate is 20% resulting in a net dividend of US1.52 cents (22.32698 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 18 June 2019
Shares trade ex-dividend	Wednesday 19 June 2019
Record date (date shareholders recorded in books)	Friday 21 June 2019
Pay date	Friday 28 June 2019

No dematerialisation or rematerialisation of share certificates, nor transfer of shares between the registers in Jersey and South Africa will take place between Wednesday 19 June 2019 and Friday 21 June 2019, both dates inclusive.

Contacts and Addresses

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Consolidated Statement of Total Comprehensive Income

	Notes	Half Years Ended		Year Ended
		2019	Restated 2018	30 September Restated 2018
		Unaudited US\$000	Unaudited US\$000	Audited US\$000
Continuing operations				
Group revenue	2	216,676	194,637	417,199
Other income	3a	1,075	1,611	5,813
		<u>217,751</u>	<u>196,248</u>	<u>423,012</u>
Change in inventories of finished goods and work in progress		(7,304)	(2,436)	3,996
Finished goods, raw materials and consumables		(164,119)	(151,849)	(339,121)
Employee benefit expense		(10,007)	(8,967)	(20,608)
Depreciation and amortisation expense		(505)	(558)	(1,147)
Other expenses	3b	(28,965)	(24,746)	(47,986)
Share of associated companies and joint venture's results		27	40	51
Finance Expense		(1,107)	(1,138)	(2,174)
Profit before taxation	2	<u>5,771</u>	<u>6,594</u>	<u>16,023</u>
Taxation		(1,713)	(2,731)	(3,093)
Profit after taxation		<u>4,058</u>	<u>3,863</u>	<u>12,930</u>
Profit attributable to owners of the parent				
		2,487	2,260	9,723
Profit attributable to non-controlling interests				
		1,571	1,603	3,207
Basic and fully diluted earnings per share (US cents)				
	4	6.9c	6.3c	27.1c
Other Comprehensive (Expense)/Income:				
<i>Items that will not be reclassified subsequently to profit and loss:</i>				
Commercial property fair value adjustments		-	-	395
Less applicable tax		-	-	(104)
		-	-	291
<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		(807)	4,461	(1,881)
Total Other Comprehensive Income		(807)	4,461	(1,590)
Profit After Tax		<u>4,058</u>	<u>3,901</u>	<u>12,930</u>
Total Comprehensive Income		<u>3,251</u>	<u>8,324</u>	<u>11,340</u>
Total Comprehensive Income attributable to owners of the parent				
		1,900	5,389	8,640
Total Comprehensive Income attributable to non-controlling interests				
		1,351	2,935	2,700
Interim dividend per share (US cents)				
		1.9c	1.9c	1.9c
Final dividend per share (US cents)				
		-	-	1.9c

Consolidated Statement of Changes in Equity

	Ordinary Share Capital	Share Premium	Other Reserves	Retained Earnings	Total Shareholders' Interests	Non- Controlling Interests	Group Total
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Half year ended 31 March 2018							
Profit after taxation	-	-	(38)	2,298	2,260	1,603	3,863
Other Comprehensive Income	-	-	1,781	1,348	3,129	1,332	4,461
Total Comprehensive Income	-	-	1,743	3,646	5,389	2,935	8,324
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	<u>8,964</u>	<u>23,606</u>	<u>970</u>	<u>44,425</u>	<u>77,965</u>	<u>10,967</u>	<u>88,932</u>
Half year ended 31 March 2019							
Profit after taxation	-	-	(274)	2,761	2,487	1,571	4,058
Other Comprehensive Income	-	-	(408)	(179)	(587)	(220)	(807)
Total Comprehensive Income	-	-	(682)	2,582	1,900	1,351	3,251
Balances at start of period	8,964	23,606	52	47,912	80,534	10,419	90,953
Transactions with shareholders							
Reclassification of subsidiary to associate	-	-	-	-	-	(918)	(918)
Dividends paid	-	-	-	(681)	(681)	(1,711)	(2,392)
Balances at end of period	<u>8,964</u>	<u>23,606</u>	<u>(630)</u>	<u>49,813</u>	<u>81,753</u>	<u>9,141</u>	<u>90,894</u>

Consolidated Statement of Financial Position

	31 March		30 September
	2019	2018	2018
	Unaudited	Unaudited	Audited
	US\$000	US\$000	US\$000
Non-current assets			
Investment property	23,372	22,268	23,565
Property, plant and equipment	10,382	12,557	11,524
Goodwill	-	209	175
Intangible assets	523	817	668
Deferred taxation	1,342	2,173	1,901
Associates	865	236	192
General portfolio – (note 5)	31,019	31,258	31,292
	<u>67,503</u>	<u>69,518</u>	<u>69,317</u>
Current assets			
Inventories	25,873	30,505	29,409
Trade and other receivables	72,800	73,580	68,696
Cash	15,829	19,932	18,482
	<u>114,502</u>	<u>124,017</u>	<u>116,587</u>
Total assets	<u>182,005</u>	<u>193,135</u>	<u>185,904</u>
Current liabilities			
Trade and other payables	(70,841)	(82,760)	(73,304)
Net current assets	<u>43,661</u>	<u>41,257</u>	<u>43,283</u>
Total assets less current liabilities	<u>111,164</u>	<u>110,775</u>	<u>112,600</u>
Non-current liabilities			
Accounts payable	(13,557)	(15,312)	(14,903)
Deferred taxation	(6,713)	(6,531)	(6,744)
Total non-current liabilities	<u>(20,270)</u>	<u>(21,843)</u>	<u>(21,647)</u>
Net assets	<u>90,894</u>	<u>88,932</u>	<u>90,953</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	(630)	970	52
Retained earnings	49,813	44,425	47,912
Equity attributable to owners of the parent	<u>81,753</u>	<u>77,965</u>	<u>80,534</u>
Non-controlling interests	9,141	10,967	10,419
	<u>90,894</u>	<u>88,932</u>	<u>90,953</u>
Net assets per share US\$ (note 6)	2.28	2.17	2.25

Consolidated Statement of Cash Flow

	31 March		30 September
	2019	2018	2018
	Unaudited	Unaudited	Audited
	US\$000	US\$000	US\$000
Profit for the period	4,058	3,901	13,218
Adjusted for:			
Taxation	1,713	2,745	2,957
Depreciation	505	558	1,147
Share of associates	(27)	(40)	(51)
Finance expense	1,107	1,138	2,174
Other income	(729)	(1,611)	(5,434)
Other expense –fair value adjustments and losses on disposal	572	504	1,633
Changes in working capital:			
Decrease in inventories	2,991	2,699	(1,575)
(Increase) in debtors	(12,270)	(10,021)	(13,054)
Increase in creditors	5,578	894	2,055
	<u>3,498</u>	<u>767</u>	<u>3,070</u>
Interest paid	(1,107)	(1,138)	(2,174)
Taxation paid	(811)	(1,202)	(3,670)
Net cash inflow/(outflow) from operating activities	<u>1,580</u>	<u>(1,573)</u>	<u>(2,774)</u>
Investment activities			
Purchase of, and improvements to, tangible non-current assets	(1,018)	(1,350)	(2,311)
Proceeds of disposal of tangible assets	8	6	87
Purchase of software	(11)	-	(55)
Acquisition of investments	-	(3,853)	(5,686)
Net proceeds of disposal of subsidiary	60	-	-
Proceeds on disposal of investments	-	759	2,145
Reclassification of subsidiary to associate	(783)	-	-
Dividends received	343	271	853
Interest received	135	416	1,067
Net cash outflow from investment activities	<u>(1,266)</u>	<u>(3,751)</u>	<u>(3,900)</u>
Cash inflow/(outflow)before financing	<u>314</u>	<u>(5,324)</u>	<u>(6,674)</u>
Financing activities			
Drawdown of long-term loans	632	1,428	1,273
Repayment of long term loans	(58)	(63)	(182)
Dividends paid – group shareholders	(681)	(681)	(1,363)
Dividends paid – non-controlling interests of subsidiaries	(948)	(1,008)	(1,321)
Cash outflow from financing activities	<u>(1,055)</u>	<u>(324)</u>	<u>(1,593)</u>
Net decrease in funds	(741)	(5,648)	(8,267)
Net funds at start of period	5,911	14,337	14,337
Effect of foreign exchange rates	(22)	(1,021)	(159)
Net cash and cash equivalents at end of period	<u>5,148</u>	<u>7,668</u>	<u>5,911</u>

Notes to the interim statement

- The results and the cash flow statement for the half-year ended 31 March 2019 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 that will be adopted in the accounts for the year ended 30 September 2019, which are the same as those for the prior year, except that adoption of IFRS9 has changed how unrealised profits on revaluation of certain investments have been accounted for. They are now included within profit before tax, whereas previously they were included in other comprehensive income. Prior year comparatives have been restated on a comparable basis.

This change in accounting policy has no effect on the Statement of Financial Position.

The interim statement complies with International Financial Reporting Standards and JSE listing requirements. The results for the year to 30 September 2018 are an abridged version of the Group's full accounts for that year, which have been filed with the relevant authorities, restated as disclosed above.

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.

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

	Half years ended 31 March				Year ended 30 September 2018	
	2019 US\$000		2018 US\$000 Restated		US\$000 Restated	
	Revenue	Result	Revenue	Result	Revenue	Result
Analysed by activity: -						
Import/distribution	215,220	6,361	193,053	6,867	414,085	14,693
Property	1,456	437	1,584	496	3,114	966
Share of associated companies and joint venture results	-	27	-	40	-	51
	<u>216,676</u>	<u>6,825</u>	<u>194,637</u>	<u>7,403</u>	<u>417,199</u>	<u>15,710</u>
Unallocated expense		(1,022)		(1,282)		(3,377)
Other Income		1,075		1,611		5,864
Interest paid		(1,107)		(1,138)		(2,174)
Profit before tax		<u>5,771</u>		<u>6,594</u>		<u>16,023</u>

Notes to the interim statement (continued)

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

	31 March 2019 US\$000	31 March 2018 US\$000	30 September 2018 US\$000
a. Other income			
Investment property revaluations	-	-	3,202
Gain on disposal of non-current tangible assets	-	-	13
Recovery of impairment on commercial property	-	-	10
Dividend income	343	251	819
Interest and other income	526	467	1,437
Exchange gains	165	665	100
Profit on disposal of investments	41	227	232
	1,075	1,611	5,813
	31 March 2019 US\$000	31 March 2018 Restated US\$000	30 September 2018 Restated US\$000
b. Other expense			
Loss on disposal of investments	-	-	(324)
Fair value adjustments on available for sale investments	(274)	(52)	(152)
Loss on disposal on non-current tangible assets	(1)	(19)	(33)
Exchange losses	(298)	(485)	(1,232)
Administration and other expenses	(28,392)	(24,190)	(46,245)
	(28,965)	(24,746)	(47,986)

4. Basic earnings per share are based on results attributable to members and on 35,857,512 shares in issue (2018 – 35,857,512). A reconciliation of basic and headline earnings is shown below.

	31 March 2019 US\$000	31 March 2018 Restated US\$000	30 September 2018 Restated US\$000
Reconciliation between basic and headline earnings			
Basic earnings	2,487	2,260	9,723
Adjusted for:			
Investment property gain on disposal/revaluations	-	-	(2,323)
Recovery of impairment of non-current asset	-	-	(10)
Fair value adjustment to available for sale investments	-	-	85
Loss/(profit) on disposal of non-current tangible assets	1	19	20
Headline earnings	2,488	2,279	7,495
Earnings per share			
Basic earnings per share (US cents)	6.9	6.3	27.1
Headline earnings per share (US cents)	6.9	6.4	20.9

Notes to the interim statement (continued)

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

	31 March	31 March	30 September
	2019	2018	2018
	US\$000	US\$000	US\$000
United States of America	10,626	10,513	10,745
United Kingdom	6,825	8,401	6,772
Europe, excluding the U.K.	4,813	5,201	4,712
Switzerland	2,515	2,486	2,695
Japan	1,536	1,686	1,557
	26,315	28,287	26,481
Treasury bills USA	2,000	-	2,000
Unlisted – UK	2,704	2,971	2,811
	31,019	31,258	31,292

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

7. There was capital expenditure of US\$649,000 during the period (2018 – US\$1,350,000). There was no contracted or outstanding authorised capital expenditure at the reporting date.

United Kingdom

3 June 2019

Sponsor: Sasfin Capital (a member of the Sasfin Group)