

# Marshall Monteagle PLC

(Incorporated in Jersey, Registered No. 102785)

*Registered Office:*  
3<sup>rd</sup> Floor, 37 Esplanade,  
St. Helier, Jersey, JE2 3QA  
Channel Islands

9<sup>th</sup> June 2014

Dear Shareholder,

The Directors report results for the six months to 31<sup>st</sup> March 2014.

## Results

- Group revenue decreased by 5% to US\$104,331,000 compared with the same period last year. In constant currency terms sales increased to US\$121,225,000 (10%).
- Operating profit increased by 2% to US\$3,704,000, but in constant currency terms increased by 18% to US\$4,287,000.
- Headline earnings of 5.5 cents compared to 4.5 cents in the same period last year, reflecting efficiencies achieved by Group operations.
- An interim dividend of 1.8 cents is to be paid in July (2013 – 1.7 cents).
- Net assets per share US\$1.86 (2013 - US\$1.80). Net assets per share have increased from the 30<sup>th</sup> September 2013 figure of US\$1.82 per share; unfavourable exchange rate movements being offset 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 raw materials 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 dedicated producers of quality raw materials, skilled technologists and first world production facilities and now has well established partnerships with over 200 production facilities in 29 countries. These 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.

As expected our coffee business roasted less coffee than during the first six months of last year, but management are confident that the company is well placed to capitalise on future opportunities following the recent investment in the business. The business markets its products to multiple retailers and the hospitality sector in South Africa.

Our tool and machinery import and distribution businesses posted profits that were down on the same period last year, the main reason being that the ductile iron water pipe division had a slower start to the year. Market conditions remain very challenging, but management are looking at initiatives that they believe will lead to better market penetration and sustainable growth.

## 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 is showing further signs of strengthening and our property continues to enjoy a very low vacancy rate.

The Group's South African commercial and light industrial property portfolio has managed a steady return in adverse conditions due to an increased focus on operating efficiencies and rental opportunities.

## Investment Portfolio

Our concentrated list of quality international equities performed well during the six months and we made some additions to existing holdings following the takeover of one of our investments during the period. We are more cautious about the remainder of the financial year, but intend to make further additions when opportunities arise.

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

The recently merged pub Group has enjoyed a good start to 2014 with most units performing better than they did at the start of last year. Heartstone Inns 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\$36,140,000, equal to US\$1.01 per share (30<sup>th</sup> September 2013: US\$0.95); the balance of US\$29,796,000, equal to US\$0.83 per share, is held in South Africa. Our total net assets, allowing for the proposed dividend, amount to US\$1.84 per share which compares to US\$1.80 per share at 30<sup>th</sup> September 2013.

### **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 11<sup>th</sup> July 2014 to shareholders on the register at the close of business on 27<sup>th</sup> June 2014.

### **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 are pleased with these results, particularly 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 6<sup>th</sup> June 2014. In order to comply with the requirements of Strate the relevant details are as follows

In respect of the normal gross cash dividend of US1.8 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 (16.16139 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 27 <sup>th</sup> June 2014
Shares trade ex dividend	Monday 30 <sup>th</sup> June 2014
Record date (date shareholders recorded in books)	Friday 4 <sup>th</sup> July 2014
Pay date	Friday 11 <sup>th</sup> July 2014

Shareholders are hereby advised that the exchange rate to be used will be USD 1 = ZAR 10.5630. This has been calculated as the average of the bid/ask spread at 16.00 (United Kingdom time) being the close of business on 6<sup>th</sup> June 2014. Consequently the dividend of US 1.8 cents will be equal to 19.0134 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 30<sup>th</sup> June and Friday 4<sup>th</sup> July 2014, both dates inclusive.

## Consolidated Statement of Total Comprehensive Income

	Notes	Half years ended 31 <sup>st</sup> March		Year ended 30 <sup>th</sup> September
		2014	2013	2013
		Unaudited US\$000	Unaudited US\$000	Audited US\$000
Group revenue	2	<b>104,331</b>	109,975	209,767
Operating costs		<b>(100,627)</b>	(106,348)	(201,452)
Operating profit		<b>3,704</b>	3,627	8,315
Share of associated company's and joint venture results		<b>206</b>	(92)	(32)
Income from investments - dividends		<b>164</b>	221	460
- interest		<b>99</b>	60	467
Interest paid		<b>(992)</b>	(898)	(2,986)
Exchange gains/(losses)		<b>44</b>	115	(350)
Other income	3	<b>311</b>	40	4,918
Profit before taxation	2	<b>3,536</b>	3,073	10,792
Taxation		<b>(1,109)</b>	(814)	(4,137)
Profit after taxation		<b>2,427</b>	2,259	6,655
Profit attributable to owners of the parent		<b>1,800</b>	1,535	5,505
Profit attributable to non-controlling interests		<b>627</b>	724	1,150
Exchange differences on translation into US dollars of the financial statements of foreign entities		<b>(1,423)</b>	(3,967)	(7,372)
Commercial property revaluations		-	-	(129)
Unrealised gain on revaluation of available for sale investments		<b>1,298</b>	2,004	1,913
Reclassification of previously recognised profits on disposal of available for sale investments		<b>(170)</b>	(86)	(213)
<b>Total Other Comprehensive Income</b>		<b>(295)</b>	(2,049)	(5,801)
<b>Total Comprehensive Income</b>		<b>2,132</b>	210	854
<b>Total Comprehensive Income attributable to owners of the parent</b>		<b>1,915</b>	<b>369</b>	1,697
<b>Total Comprehensive Income attributable to non-controlling interests</b>		<b>217</b>	<b>(159)</b>	(843)
Interim dividend per share (US cents)		<b>1.8c</b>	<b>1.7c</b>	1.7c
Recommended final dividend (US cents)		-	-	1.8c
<b>Reconciliation between basic and headline earnings</b>				
Basic earnings	4	<b>1,800</b>	<b>1,535</b>	5,505
Adjusted for :				
Investment property revaluations		-	-	(3,359)
Reclassification of previously recognised gains on disposal of available for sale investments		<b>170</b>	<b>86</b>	213
Loss/(Profit) on disposal of non-current tangible assets		<b>2</b>	-	(53)
Headline earnings	4	<b>1,972</b>	<b>1,621</b>	2,306

## 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
<b>Half year ended 31<sup>st</sup> March 2013</b>							
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 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>
<b>Half year ended 31<sup>st</sup> March 2014</b>							
Balances at start of period	<b>8,964</b>	<b>23,606</b>	<b>2,812</b>	<b>29,950</b>	<b>65,332</b>	<b>9,199</b>	<b>74,531</b>
Transactions with shareholders							
Dividends paid	-	-	-	(664)	(664)	(482)	(1,146)
Transfer – release of fair value	-	-	(2,608)	2,608	-		
Total comprehensive (expense)/income	-	-	156	1,759	1,915	217	2,132
Balances at end of period	<u><b>8,964</b></u>	<u><b>23,606</b></u>	<u><b>360</b></u>	<u><b>33,653</b></u>	<u><b>66,583</b></u>	<u><b>8,934</b></u>	<u><b>75,517</b></u>

## Consolidated Statement of Financial Position

	31 <sup>st</sup> March		30 <sup>th</sup> September
	2014 Unaudited US\$000	2013 Unaudited US\$000	2013 Audited US\$000
<b>Non-current assets</b>			
Investment property	28,750	27,896	29,483
Property, plant and equipment	8,381	8,988	8,223
Goodwill	224	257	234
Deferred taxation	302	612	383
Investments			
Associate	1,520	1,587	1,501
Joint venture	453	156	278
General portfolio – (note 5)	19,853	16,759	18,104
	<b>59,483</b>	<b>56,255</b>	<b>58,206</b>
<b>Current assets</b>			
Inventories	28,218	25,538	26,383
Accounts receivable	34,704	39,146	30,039
Other financial assets	28	258	404
Tax recoverable	620	665	98
Cash	14,392	19,930	14,329
	<b>77,962</b>	<b>85,537</b>	<b>71,253</b>
Non-current assets held for resale	-	-	1,291
<b>Total assets</b>	<b>137,445</b>	<b>141,792</b>	<b>130,750</b>
<b>Current liabilities</b>			
Accounts payable	(41,561)	(47,384)	(36,392)
Tax payable	(1,931)	(447)	(1,366)
Total current liabilities	<b>(43,492)</b>	<b>(47,831)</b>	<b>(37,758)</b>
Net current assets	<b>34,470</b>	<b>37,706</b>	<b>34,786</b>
<b>Total assets less current liabilities</b>	<b>93,953</b>	<b>93,961</b>	<b>92,992</b>
<b>Non-current liabilities</b>			
Accounts payable	(12,556)	(13,646)	(12,589)
Deferred taxation	(5,880)	(5,330)	(5,872)
	<b>75,517</b>	<b>74,985</b>	<b>74,531</b>
<b>Capital and reserves</b>			
Called up share capital	8,964	8,964	8,964
Share premium account	23,606	23,606	23,606
Other reserves	360	2,259	2,227
Other reserves relevant to non-current asset held for resale	-	-	585
Retained earnings	33,653	29,784	29,950
Equity attributable to owners of the parent	<b>66,583</b>	<b>64,613</b>	<b>65,332</b>
Non-controlling interests	8,934	10,372	9,199
	<b>75,517</b>	<b>74,985</b>	<b>74,531</b>
Net assets per share US\$ (note 6)	<b>1.86</b>	1.80	1.82

## Consolidated Statement of Cash Flow

	Half years ended		Year ended
	31 <sup>st</sup> March	30 <sup>th</sup> September	2013
	2014	2013	2013
	Unaudited	Unaudited	Audited
	US\$000	US\$000	US\$000
<b>Revenue</b>	<b>104,331</b>	109,975	209,767
Operating costs	<b>(100,627)</b>	(106,348)	(201,452)
<b>Operating activities</b>			
Operating profit	<b>3,704</b>	3,627	8,315
Adjusted for:			
Depreciation	<b>408</b>	444	652
Changes in working capital:			
(Increase)/Decrease in inventories	<b>(523)</b>	37	(3,092)
(Decrease)/Increase in debtors	<b>(1,807)</b>	(1,632)	4,141
(Decrease)/Increase in creditors	<b>(618)</b>	3,877	(2,864)
Cash generated by operations	<b>1,164</b>	6,353	7,152
Interest paid	<b>(898)</b>	(898)	(2,986)
Taxation paid	<b>(691)</b>	(691)	(1,566)
Net cash (outflow)/inflow from operating activities	<b>(425)</b>	4,764	2,600
<b>Investment activities</b>			
Purchase of, and improvements to, tangible non-current assets	<b>(923)</b>	(353)	(1,193)
Proceeds of disposal of tangible assets	<b>1,546</b>	-	754
Acquisition of investments	<b>(1,520)</b>	(713)	(3,624)
Proceeds on disposal of investments	<b>1,210</b>	554	2,352
Dividends received	<b>164</b>	221	460
Interest received	<b>99</b>	60	467
Net cash inflow/(outflow) from investment activities	<b>576</b>	(231)	(784)
Cash inflow before financing	<b>151</b>	4,533	1,816
<b>Financing activities</b>			
Net increase/(decrease) in long term debt	<b>129</b>	373	(249)
Dividends paid - Group shareholders	<b>(664)</b>	(610)	(1,219)
Dividends paid - non-controlling interests of subsidiaries	<b>(482)</b>	(327)	(120)
Cash (outflow) from financing activities	<b>(1,017)</b>	(564)	(1,588)
<b>Net (decrease)/increase in funds</b>	<b>(866)</b>	3,969	228
Net funds at start of period	<b>12,002</b>	12,173	12,173
Effect of foreign exchange rates	<b>(197)</b>	(143)	(399)
<b>Net cash and cash equivalents at end of period</b>	<b>10,939</b>	15,999	12,002

## Notes to the interim statement

1. The results and the cash flow statement for the half-year ended 31<sup>st</sup> March 2014 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 30<sup>th</sup> September 2013. They comply with International Financial Reporting Standards and JSE listing requirements. The results for the year to 30<sup>th</sup> September 2013 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 31 <sup>st</sup> March		2013		Year ended 30 <sup>th</sup> September 2013	
	2014	Result	Revenue	Result	Revenue	Result
	US\$000		US\$000		US\$000	
Analysed by activity:-						
Import/distribution	<b>102,223</b>	<b>3,499</b>	107,658	3,317	205,490	7,636
Property	<b>2,108</b>	<b>853</b>	2,301	905	4,265	1,966
Other	-	(341)	16	(199)	12	(710)
	<b>104,331</b>	<b>4,011</b>	<u>109,975</u>	<u>4,023</u>	<u>209,767</u>	<u>8,892</u>
Share of associated company's and joint venture results		<b>206</b>		(92)		(32)
Interest paid		<b>(992)</b>		(898)		(2,986)
		<b>3,225</b>		3,033		5,874
Other income (note 3)		<b>311</b>		40		4,918
Profit before tax		<b>3,536</b>		3,073		10,792

3. The other income arises from the following.

	31 <sup>st</sup> March		30 <sup>th</sup> September
	2014	2013	2013
	US\$000	US\$000	US\$000
Investment property revaluations	-	-	4,476
Profit on disposal of investments	<b>310</b>	28	329
Fair value adjustments on derivative instruments	<b>3</b>	12	26
(Loss)/Gain on disposal of non-current tangible assets	<b>(2)</b>	-	87
Other income	<b>311</b>	40	4,918

4. Basic earnings per share are based on results attributable to members and on 35,857,512 shares in issue (2013 - 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:-

United Kingdom	<b>4,577</b>	3,965	4,295
United States of America	<b>6,996</b>	4,820	5,988
Europe, excluding the U.K.	<b>4,228</b>	4,216	3,993
Switzerland	<b>2,692</b>	2,408	2,450
Japan	<b>1,074</b>	1,064	1,092
	<b>19,567</b>	16,473	17,818
Unlisted – Europe and other	<b>286</b>	286	286
	<b>19,853</b>	16,759	18,104

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

7. There was capital expenditure of US\$923,000 during the period (2013 - US\$353,000). There was no contracted or outstanding authorised capital expenditure at the reporting date.