

# MARSHALL MONTEAGLE PLC

## REPORT & ACCOUNTS 2019



STRIVING FOR OPTIMUM  
PERFORMANCE





# Marshall Monteagle PLC

## Annual Report and Consolidated Financial Statements for the year ended 30<sup>th</sup> September 2019

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## Directors

### A.R.C. BARCLAY, *Non-executive Chairman*

Alastair Barclay joined the Board in April 2018 as a Director and as Non-Executive Chairman. He is a Chartered Accountant by background and has been a director of a number of public and private companies including Finsbury Food Group PLC, Western Selection PLC and Marshall Monteagle Holdings SA. From 1980 until October 1999 he was Chief Executive of City Group PLC, the Group's Company Secretary. He was the Honorary Treasurer and a director of the Charlie Waller Memorial Trust from 2005 until 2013 and he is currently a Patron of that charitable trust.

### D.C. MARSHALL, *Executive Director and Chief Executive*

David Marshall has been a Director and Chief Executive of the Company since 2009. He resides in South Africa, where he has extensive interests in listed trading, financial and property companies. In 1982 he was a founder director of the Company's predecessor which became Marshall Monteagle Holdings SA of which he was also appointed Chief Executive in 1996 and remained on its board until 2010 when it was succeeded and replaced by Marshall Monteagle PLC. In recent years, he has taken a leading role in the reorganisation and development of medium sized listed companies in the U.K. and overseas. He is also chairman of London Finance & Investment Group PLC and Western Selection PLC.

### E. J. BEALE, *Executive Director and Financial Director*

Edward Beale was appointed to the Board in February 2014. He is a member, previously chairman, of the Corporate Governance Expert Group of the UK based Quoted Companies Alliance. He is a non-executive director of London Finance & Investment Group PLC, Western Selection PLC, Brand Architekts Group plc (formerly Swallowfield PLC), Heartstone Inns Limited and Tudor Rose International Limited. He was a member of the Accounting Standards Board, the body responsible for setting accounting standards for the UK for six years to August 2014. He is a Chartered Accountant and a director of City Group PLC, the Group's Company Secretary.

### R.C. KERR, *Non-executive Director* † \*

Rory Kerr joined the Board in 2010 and chairs the Remuneration Committee. He resides in Dublin and is qualified as a South African attorney, notary and conveyancer, as well as an English solicitor and an Irish solicitor (non-practising). Since 30 April 2015, when he retired from Maitland, he has been a consultant to the legal services practice of the Maitland Group of which he was a principal and a partner in the legal services practice from 1982 to 30<sup>th</sup> April 2015. Rory has been a director of a number of public and private companies and investment funds including from 1982 to 2010, Marshall Monteagle Holdings SA and its predecessors. Rory has acted as a trustee of Employee Share Incentive Plans of certain publicly listed companies and continues to act as a director of a publicly held investment company and of a number of private companies as well as a trustee or a protector of a number of family trusts.

### B.C.B. NEWMAN, *Non-executive Director* † \*

Ben Newman is the Managing Director of IQ EQ (Jersey) Limited ("IQ-EQ", formerly First Names (Jersey) Limited) and was appointed to the Board of the Company in August 2014 and is Chairman of the Audit Committee. Ben joined IQ-EQ in 2008 and he has over 20 years' experience in the private wealth industry and treasury management. Ben is a graduate of Oxford Brookes University and holds a diploma in International Trust Management, with distinction. Ben is also a member of the Society of Trust and Estate Practitioners.

### D.J. DOUGLAS, *Non-executive Director* † \*

Dean Douglas joined the Board in August this year. He is a Director of Private Wealth at IQ EQ (Jersey) Limited ("IQ-EQ", formerly First Names (Jersey) Limited) and joined IQ-EQ in 2002 having moved to Jersey from Cape Town, South Africa in 1995. He has over 24 years' experience in the private wealth industry. Dean is FCCA qualified and a full member of the ACCA since 2003. Dean is also a member of the Society of Trust and Estate Practitioners.

† Member of the Audit Committee

\* Member of the Remuneration Committee

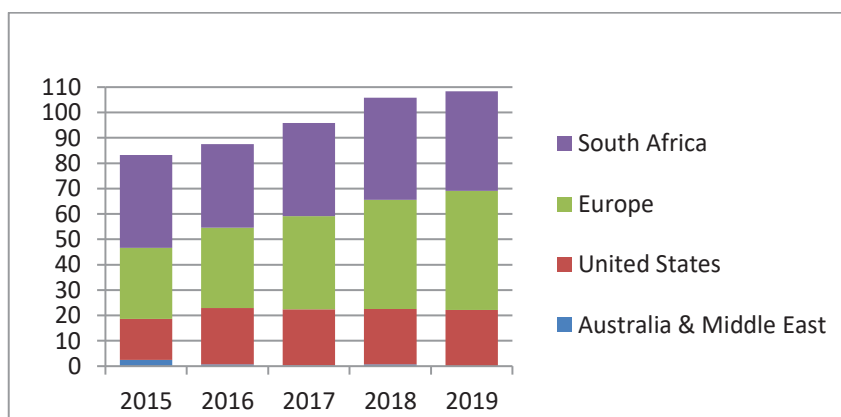
## RESULTS IN BRIEF

	2019 US\$000	Group Restated 2018 US\$000
Revenue including discontinued operations	<b>429,459</b>	417,199
Revenue on continuing operations	<b>198,599</b>	204,765
Profit before tax and non-controlling interests	<b>15,313</b>	16,023
Profit before tax and non-controlling interests on continuing operations	<b>6,186</b>	7,124
Profit after tax and non-controlling interests	<b>7,730</b>	9,723
Net assets per share attributable to shareholders	<b>US\$2.37c</b>	US\$2.25c
Basic earnings per share	<b>US\$21.6c</b>	US\$27.1c
Basic earnings per share on continuing operations	<b>US\$11.0c</b>	US\$15.9c
Interim dividend (paid on 28 <sup>th</sup> June 2019)	<b>US\$1.9c</b>	US\$1.9c
Second interim (final) dividend (paid on 17 <sup>th</sup> January 2020)	<b>US\$1.9c</b>	US\$1.9c
	<b>US\$3.8c</b>	US\$3.8c

## ANALYSIS OF ASSETS, NET OF CURRENT LIABILITIES

before long term finance and non-controlling interests

	2019 US\$m	2018 US\$m
Europe	<b>46.9</b>	43.1
United States	<b>22.2</b>	21.8
	<b>69.1</b>	64.9
Middle East	-	0.7
		65.6
South Africa	<b>39.2</b>	40.3
	<b>108.3</b>	105.9



	2015 US\$m	2016 US\$m	2017 US\$m	2018 US\$m	2019 US\$m
<b>Financed by:</b>					
Shareholders' equity	62.9	67.2	73.3	80.6	<b>85.0</b>
Non-controlling interests	8.6	8.0	9.0	10.4	<b>10.5</b>
Long term finance	11.7	12.4	13.6	14.9	<b>12.8</b>
	<b>83.2</b>	<b>87.6</b>	<b>95.9</b>	<b>105.9</b>	<b>108.3</b>

# Results in Brief, Analysis of Assets, Financial Calendar and Share Information

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## **FINANCIAL CALENDAR**

Financial year-end	30 <sup>th</sup> September 2019
Provisional announcement of results	20 <sup>th</sup> December 2019

## **SHARE INFORMATION**

The Company has 35,857,512 shares in issue which are listed on the JSE Limited ("JSE") and the share price as at 22<sup>nd</sup> January 2020, the latest practicable date, was ZAR 20.10.

# Chairman's Statement

## For the year ended 30<sup>th</sup> September 2019

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Marshall Monteagle is an Investment Company. It is listed on the Johannesburg Stock Exchange and has a broad and diversified range of investments. The investments fall broadly into the following categories:

- Blue Chip International listed companies;
- Industrial Property in the United States of America and South Africa; and
- Financing and Trading Companies that operate on an international basis.

The Company's objective is to invest for the long term to generate reliable profits, cash flow and dividends for our shareholders; thereby achieving capital growth for the benefit of all stakeholders. The performance of the Group's investments is monitored and regularly reviewed by the Board.

Marshall Monteagle's group of trading companies are held in associated or subsidiary companies, each led by experienced and entrepreneurial executives. The trading companies have made substantial investment in their workforce and continue to diversify the Group's international trading base by representing world-wide suppliers of fast moving consumable goods to growing emerging markets.

The Group employs over 1000 men and women and this year's results could not have been achieved without the hard work of all our employees. On behalf of the Board, I would like to thank them for their continued contribution and dedication.

Marshall Monteagle announced plans to sell its 50% interest in Monteagle Africa on 4<sup>th</sup> October 2019. Monteagle Africa's business is trade in Fast Moving Consumer Goods (FMCG), primarily to Spar; a market that has grown substantially over the past few years. Following an approach from Spar we have agreed to sell our 50% interest to them. The current low interest regimes of developed markets in North America and Europe must be expected to end at some point and interest rates to rise. By realising Marshall Monteagle's investment in Monteagle Africa, the Group will maintain the balance of investments and provide additional liquidity to support the growth of other trading businesses. The profits from the sale of this investment will be booked in the year ending 30<sup>th</sup> September 2020.

Looking to the future, there will surely be change and uncertainty, as well as new opportunities. The conditions that have led to the significant growth of Marshall Monteagle over the last twenty years will be different. Fluctuations in local economies and currencies will continue to have an impact on performance. The strategic investment policy of listed investments, property and growing businesses run by ambitious managers, has served all stakeholders well. This policy may be led by new faces in the future but with caution and integrity, it should lead to a prosperous future for all.

**A.R.C. Barclay**  
Chairman

## **Introduction**

The Directors are pleased to report strong results for the year ended 30<sup>th</sup> September 2019.

## **Results of operations**

- Net assets per share attributable to shareholders are US\$2.37 (2018 – US\$2.25). Net assets per share have increased, reflecting retained profits.
- A final dividend of US\$1.9 cents per share will be paid in January 2020 (2018 – US\$1.9 cents) bringing dividends for the year to US\$3.8 cents (2018 – US\$3.8 cents).
- Group revenue including discontinued operations increased by 2.9% to US\$429,459,000 compared with the same period last year. In constant currency terms (i.e. translated at prior year exchange rates) revenue increased by 10.7% to US\$461,779,000.
- Revenue on continuing operations decreased by 3% to US\$198,599,000. In constant currency terms revenue increased by 1.4%.
- Group profit before tax including discontinued operations decreased by 7.1% to US\$13,161,000, and in constant currency terms decreased by 1.7% to US\$13,933,000.
- Profit before tax on continuing operations decreased by 13.1% to US\$6,186,000 and in constant currency terms decreased by 12.2% to US\$6,257,000.
- Headline earnings of US\$19.1 cents per share were 7.7% lower when compared with the restated US\$20.7 cents per share in the same period last year.
- Basic earnings per share of US\$21.6 cents per share were 20.3% lower when compared with the restated US\$27.1 cents per share in the same period last year, in a large part due to a higher tax charge.

## **Import and Distribution**

The continuing FMCG import and distribution businesses provide a procurement, supply chain and risk management service to multiple retailers, wholesalers and manufacturers throughout Southern and Central Africa and South America. They are performing well in a highly competitive and challenging global retail market. Currency and raw material markets remain volatile and these market conditions are expected to continue into the New Year. These factors combined with increasing competition will continue to constrain profitability, and this may be reflected in the future results of this operating segment. This division continues to constantly review its shipping and supply-chain to ensure that it remains the most cost-effective solution from factory to shelf. The division remains committed to working with suppliers of quality raw materials, skilled technologists and first world production facilities.

The Coffee business performed well within a challenging environment, despite increased competition and consumers being increasingly price conscious. The business has managed to increase sales in South African Rand terms by freezing prices and launching new products successfully. The political and economic environment in South Africa continues to affect trading conditions detrimentally in our Coffee business, with the greatest impact on the Coffee business being the fall in value of the South Africa Rand against the Dollar. Daily monitoring, combined with focussed trading remain critical as exchange rate and coffee price volatility continue to put pressure on margins.

Marshall Monteagle owns 50% of Monteagle Logistics Limited, with the other 50% owned by management. However, we no longer have a majority of directors on this board following additional appointments to the board, and as a result this company has ceased to be accounted for as a subsidiary. From February 2019 it has been accounted for as an associate. This change has no impact on earnings or shareholders' funds. The services provided by this business are an important part of the full service offering to FMCG customers.

## **Business Review (continued)**

For the year ended 30<sup>th</sup> September 2019

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The Metals and Minerals business provides a fully integrated marketing, logistics, finance and shipping service to the South African mining industry. It continues to make extremely good progress and is developing new partnerships with miners in Southern Africa and end users on an international basis. During the twelve months under review the producer and end-user markets that it trades in have remained reasonably in balance and the business has achieved a pleasing increase in turnover and volumes shipped. This division is 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.

Sales in the Tool & Machinery business achieved 9% growth in South African Rand terms. But trading conditions and consumer spending continue to be challenging. These factors, combined with increased competition, have put pressure on margins. The business continues to work hard on the supply chain in order to bring innovation and value to our customers. However, in order to concentrate on the African market, Marshall Monteagle has sold its 50% interest in the Dubai based Tool and Machinery business at its net asset value (\$323,000).

The Group continues to fund the additional working capital requirements of these growing trading businesses from its cash resources. The Group's cash balances and the proceeds of disposal of Monteagle Africa will support growth in this segment of the business.

### **Investment Portfolio**

We continue to hold a list of quality listed international equities that are expected to outperform the market in the long term. During the year the value of share prices remained stable with a small increase of US\$39,000 (2018: loss of US\$135,000) mainly due to increased local currency market prices being offset by adverse currency movements. With the additional investment of US\$331,000 the portfolio had a market value at the year-end of US\$31,662,000 (2018 – US\$31,292,000).

### **Property Portfolio**

Rental income from our large multi-tenanted industrial property in San Diego has continued to grow and the property remains fully let, though rental rates have stabilized and remained level over recent quarters. The market for purchase of a commercial and industrial property in Southern California remains competitive and speculative, though the market has also shown signs of a potential deceleration in the coming years. We have suspended our proactive search to invest further in similar property in the region until market valuations reach a more sensible level. The Group's South African commercial and light industrial property portfolio has achieved a steady return in a very adverse economic climate. The Group is maintaining its focus on administrative and operating efficiencies while the demand for premises decreases in light of the uncertainty surrounding the economy. The Group's property portfolio was revalued at US\$24,066,000, an increase of US\$501,000 compared with the same period last year.

**A.R.C. Barclay**  
Chairman

**D.C. Marshall**  
Chief Executive

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

		2019	Restated for IFRS 5 and 9 2018	Restated for IFRS 5 2018
For the year ended 30 <sup>th</sup> September	Notes	US\$000	US\$000	US\$000
<b>Profit or Loss</b>				
Group revenue	2f/3	198,599	204,765	204,765
Other income	2a/4	3,323	5,572	5,572
		<b>201,922</b>	210,337	210,337
Increase/(Decrease) in inventories of finished goods and work in progress		939	(1,952)	(1,952)
Cost of finished goods, raw materials and consumables		(143,815)	(152,117)	(152,117)
Employee benefit expenses		(9,036)	(11,872)	(11,872)
Depreciation expenses	11/13	(520)	(865)	(865)
Other expenses	5	(41,332)	(34,285)	(34,133)
Share of associated companies results	14	20	-	-
Finance expense		(1,992)	(2,122)	(2,122)
Profit before tax		<b>6,186</b>	7,124	7,276
Taxation	6	(2,084)	(1,244)	(1,108)
<b>Profit for the year on continuing operations</b>		<b>4,102</b>	5,880	6,168
<b>Profit after tax on discontinued operations</b>	7	<b>6,975</b>	7,050	7,050
<b>Profit for the year</b>		<b>11,077</b>	12,930	13,218
Profit attributable to owners of the parent		<b>7,730</b>	9,723	10,011
Profit attributable to non-controlling interests		<b>3,347</b>	3,207	3,207
Basic and fully diluted earnings per share on continuing operations (US cents)	8	<b>11.0c</b>	15.9c	16.7c
<b>Other Comprehensive Income/(Expense) on continuing operations: -</b>				
Items that may be reclassified subsequently to profit or loss: -				
Exchange differences on translation into US Dollars of the financial statements of foreign entities	21	(2,800)	(1,881)	(1,881)
Unrealised gain on revaluation of available for sale investments	15	-	-	51
Less applicable tax		-	-	(136)
Reclassification of previously recognised profits on disposal of available for sale investments	15	-	-	(203)
Total of items that may be reclassified		<b>(2,800)</b>	(1,881)	(2,169)
Items that will not be reclassified subsequently to profit or loss: -				
Commercial property fair value adjustments	11	137	325	325
Less applicable tax		(27)	(86)	(86)
		<b>110</b>	239	239
<b>Other Comprehensive Income on discontinued operations</b>		<b>16</b>	52	52
<b>Total Other Comprehensive Income</b>		<b>(2,674)</b>	(1,590)	(1,878)
<b>Total Comprehensive Income</b>		<b>8,403</b>	11,340	11,340
<b>Total Comprehensive Income attributable to owners of the parent</b>		<b>5,857</b>	8,640	8,640
<b>Total Comprehensive Income attributable to non-controlling interests</b>		<b>2,546</b>	2,700	2,700

The notes on pages 12 to 43 form part of these Financial Statements.

## Consolidated Statement of Changes in Equity

	Called up share capital	Share premium	Other reserves	Retained earnings	Total shareholders' interests	Non-controlling interests	Group Total
	US\$000 Note 20	US\$000 Note 21	US\$000 Note 21	US\$000	US\$000	US\$000	US\$000
<b>Year ended 30<sup>th</sup> September 2018</b>							
Restated for IFRS 9							
Profit after tax	-	-	1,908	7,815	9,723	3,207	12,930
Other Comprehensive Income	-	-	(1,083)	-	(1,083)	(507)	(1,590)
Total Comprehensive Income	-	-	825	7,815	8,640	2,700	11,340
Transactions with shareholders	-	-	-	(1,363)	(1,363)	(1,321)	(2,684)
Dividends paid (note 9)	-	-	-	(61)	(61)	-	(61)
IFRS 9 adjustment	-	-	-	41,460	73,257	9,040	82,297
Balances at start of year	8,964	23,606	(773)	41,460	73,257	9,040	82,297
Balances at end of year (Restated)	8,964	23,606	52	47,851	80,473	10,419	90,892
<b>Year ended 30<sup>th</sup> September 2019</b>							
Profit after tax-	-	-	593	7,137	7,730	3,347	11,077
Other Comprehensive Income	-	-	(936)	(937)	(1,873)	(801)	(2,674)
Total Comprehensive Income	-	-	(343)	6,200	5,857	2,546	8,403
Transactions with shareholders	-	-	-	-	-	(795)	(795)
Disposal and loss of subsidiaries	-	-	-	(1,364)	(1,364)	(1,719)	(3,083)
Dividends paid (note 9)	-	-	-	47,851	80,473	10,419	90,892
Balances at start of year	8,964	23,606	52	47,851	80,473	10,419	90,892
Balances at end of year	8,964	23,606	(291)	52,687	84,966	10,451	95,417

# Consolidated Statement of Financial Position

at 30<sup>th</sup> September

	Notes	2019 US\$000	Restated 2018 US\$000	2018 US\$000
<b>Assets</b>				
<b>Non-current assets</b>				
Investment property	10	24,066	23,565	23,565
Property, plant and equipment	11	7,188	11,524	11,524
Goodwill	12	-	175	175
Intangible assets	13	-	668	668
Deferred taxation	19	999	1,901	1,901
Investments in associated company	14	409	192	192
Investments	15	31,662	31,292	31,292
<b>Total non-current assets</b>		<b>64,324</b>	<b>69,317</b>	<b>69,317</b>
<b>Current assets</b>				
Inventories	16	24,729	29,409	29,409
Accounts receivable	17a	22,907	67,528	67,589
Other financial assets	17b	662	969	969
Tax recoverable		372	138	138
Cash and cash equivalents	23	22,654	18,482	18,482
		<b>71,324</b>	<b>116,526</b>	<b>116,587</b>
Assets held for sale	7	41,488	-	-
<b>Total assets</b>		<b>177,136</b>	<b>185,843</b>	<b>185,904</b>
<b>Current liabilities</b>				
Bank overdrafts	18a/23	(6,637)	(12,571)	(12,571)
Financial liabilities	18a	(22,501)	(59,930)	(59,930)
Other financial liabilities	18b	(36)	(305)	(305)
Tax payable		(473)	(498)	(498)
		<b>(29,647)</b>	<b>(73,304)</b>	<b>(73,304)</b>
Liabilities held for sale	7	(31,987)	-	-
<b>Net current assets</b>		<b>51,178</b>	<b>43,222</b>	<b>43,283</b>
<b>Total assets less current liabilities</b>		<b>115,502</b>	<b>112,539</b>	<b>112,600</b>
<b>Non-current liabilities</b>				
Financial liabilities	18	(12,834)	(14,903)	(14,903)
Deferred taxation	19	(7,251)	(6,744)	(6,744)
<b>Total non-current liabilities</b>		<b>(20,085)</b>	<b>(21,647)</b>	<b>(21,647)</b>
<b>Capital and reserves</b>				
Called up share capital	20	8,964	8,964	8,964
Share premium account		23,606	23,606	23,606
Other reserves	21	(291)	52	52
Retained earnings		52,687	47,851	47,912
<b>Equity attributable to owners of the parent</b>		<b>84,966</b>	<b>80,473</b>	<b>80,534</b>
<b>Non-controlling interests</b>		<b>10,451</b>	<b>10,419</b>	<b>10,419</b>
<b>Total Equity</b>		<b>95,417</b>	<b>90,892</b>	<b>90,953</b>

Approved and authorised for issue by the Board on 24<sup>th</sup> January 2020.

**A.R.C. Barclay**  
Chairman

**D.C. Marshall**  
Chief Executive

The notes on pages 12 to 43 form part of these Financial Statements.

# Consolidated Statement of Cash Flows

for the year ended 30<sup>th</sup> September

	Notes	2019 US\$000	2018 US\$000
<b>Operating Activities</b>			
<b>Profit for the year</b>		<b>11,077</b>	12,930
Adjustments			
Taxation		<b>4,329</b>	2,957
Depreciation		<b>1,048</b>	1,283
Share of associated companies' results		<b>(80)</b>	(51)
Interest paid		<b>2,379</b>	2,174
Other income		<b>(3,303)</b>	(5,434)
Other expense		<b>1,191</b>	1,785
		<b>16,641</b>	15,644
<b>Changes in working capital</b>			
Increase in inventories		<b>(3,146)</b>	(1,575)
Decrease/(increase) in receivables		<b>7,341</b>	(13,054)
Increase in payables		<b>1,301</b>	2,055
Cash generated by operations		<b>22,137</b>	3,070
Interest paid		<b>(2,379)</b>	(2,174)
Taxation paid		<b>(3,765)</b>	(3,670)
Cash inflow/(outflow) from operating activities		<b>15,993</b>	(2,774)
<b>Investment activities</b>			
Purchase of and improvements to tangible non-current assets		<b>(1,445)</b>	(2,311)
Proceeds of disposal of tangible assets		<b>227</b>	87
Purchase of software		<b>(13)</b>	(55)
Acquisition of investments		<b>(331)</b>	(5,686)
Proceeds of disposal of investments		-	2,145
Proceeds of disposal of subsidiary		<b>323</b>	-
Loss of subsidiary		<b>(1,046)</b>	-
Dividends received		<b>1,041</b>	853
Interest received		<b>821</b>	1,067
Cash outflow from investment activities		<b>(423)</b>	(3,900)
Cash inflow/(outflow) before financing		<b>15,570</b>	(6,674)
<b>Financing activities</b>			
Drawdown of new long-term loans		<b>117</b>	1,273
Repayment of long-term loans		<b>(119)</b>	(182)
Dividends paid to Group shareholders		<b>(1,364)</b>	(1,363)
Dividends paid to non-controlling interests of subsidiaries		<b>(1,719)</b>	(1,321)
Cash outflow from financing activities		<b>(3,085)</b>	(1,593)
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>12,485</b>	(8,267)
Cash and cash equivalents at 1 <sup>st</sup> October	23	<b>5,911</b>	14,337
Effect of foreign exchange rate changes		<b>(77)</b>	(159)
<b>Cash and cash equivalents at 30<sup>th</sup> September</b>	23	<b>18,319</b>	5,911
<b>Cash and cash equivalents on discontinued operations</b>		<b>(2,302)</b>	-
<b>Cash and cash equivalents on continuing operations</b>		<b>16,017</b>	5,911

The notes on pages 12 to 43 form part of these Financial Statements.

# Notes to the Consolidated Statements

For the year ended 30<sup>th</sup> September 2019

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## 1. GENERAL

The Company is incorporated as a public limited company in Jersey, Channel Islands. In view of the international nature of the Group's operations, and as permitted by Jersey law, the amounts shown in these Consolidated Financial Statements are rounded to the nearest thousand and presented in United States dollars (US\$), which is the functional currency of the Group.

## 2. ACCOUNTING POLICIES

### a) Basis of preparation

These consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Council, JSE Listings Requirements and in accordance with Article 105 of the Companies (Jersey) Law, 1991.

The Directors have established that: there have been no significant events that are not in the ordinary course of business since the reporting date except for the completion of the sale of Monteagle Africa Ltd; all borrowing facilities are still in place; the substantial liquid resources held in cash and in the share portfolios are still available; and that there has been no major capital expenditure nor acquisitions since the reporting date. The Directors therefore believe that the going concern basis is appropriate for the Group.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain commercial and investment properties and financial instruments which are measured at fair value. The principal accounting policies of the Group, which are set out below, comply with IFRS in all respects and with Jersey legal requirements. These policies have been consistently applied.

At the date of authorisation of these Consolidated Financial Statements the IASB and the IFRIC have issued new standards and interpretations and amended or revised standards, as set out in note 30, which do not apply to the Group in the reporting period covered by these financial statements although some will be applicable to the next reporting period. The Directors have considered the impact of the adoption of these Standards and Interpretations and have determined that while changes may be required to some accounting policies and disclosures, such changes will not be material to an assessment of the business. The detailed analysis of the main standard impacting the Group is disclosed below.

### Changes in accounting policy

Under **IFRS 9 "Financial instruments"**, which is being applied for the first time this year, the Group's listed investments fall under Fair Value through profit and loss category (FVTPL) with unrealised changes in fair value recognised in profit or loss. Previously, these fair value movements were accounted for through other comprehensive income. The re-categorisation of unrealised fair value movements on Listed investment changed the Profit after tax for the year ended 30<sup>th</sup> September 2018 from US\$13,218,000 to US\$12,930,000. The change has no impact on the Statement of Financial Position.

IFRS 9 also replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. Under the new model, the group assesses, on a forward-looking basis, the expected credit loss associated with its financial assets. Trade receivables are impaired using the simplified approach. The group uses a matrix which is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and assessment of both the current and forecast conditions at the reporting date. This has resulted in a re-statement of the opening balances in the Statement of Financial Position by US\$(61,000) and a negligible impact on the current year.

Please refer to note 8 for additional details on the impact of the above changes to the Basic and fully diluted earnings per share.

**IFRS 15 "Revenue from contracts with customers"**, was also applied for the first time in the current year. The management performed an assessment in terms of the following criteria: unique contracts with customers were identified; various performance obligations in the contracts were separately identified (if applicable); transaction price for the contracts was determined and the transactions price was allocated to the applicable separately identifiable performance obligation (if applicable). The review concluded that the new standard has no material impact on the financial results of the Group.

## **2. ACCOUNTING POLICIES (continued)**

### **New standards and interpretations**

**IFRS 16 “Leases”** specifies how a company reporting under IFRS will recognise, measure, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor IAS 17. The standard replaces IAS 17 ‘Leases’ and related interpretations. The standard is effective for annual periods beginning on or after 1<sup>st</sup> January 2019.

The standard will primarily affect the accounting for the Group’s operating leases where the Group is a lessee and is likely to have an insignificant impact on the financial statements. As at the reporting date, the Group has non-cancellable operating lease commitments of US\$361,000, see note 25. The Group intends to adopt this standard for the year end 30 September 2020.

### **b) Estimates and Judgements**

The Group is required, in conformity with IFRS, to make estimates and judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The resulting accounting estimates will, by definition, seldom equal the related results. The estimates, judgements and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and in future periods if applicable. The critical judgements that the directors have made in the process of applying the Group’s accounting policies mainly also involve estimations (which are dealt with separately below). The only critical judgement, not involving estimation, which has significant effect on the amounts recognised in the financial statements, is the consideration of whether there is sufficient control for companies to be accounted for as subsidiaries (note 29). The most significant estimates relate to: the valuation of properties (note 28), residual value and lives of tangible assets (notes 10 and 2(i)); valuation of unlisted investments (notes 14 and 2(j) and (r)) and recognition of deferred tax assets based on recoverability (notes 19 and 2(l)).

### **c) Administration costs and Costs of finished goods, raw materials and consumables**

Expenses, including costs of finished goods, raw materials and consumables, administration expenses, staff costs and other expenses, are accounted for on an accruals basis and are recognised in Profit or Loss on the transaction date.

### **d) Basis of Consolidation**

Subsidiaries included in these financial statements are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the consolidated Statement of Changes in Equity and the Consolidated Statement of Financial Position.

### **e) Associates**

Associates are entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Under the equity method of accounting, the investment is recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying value of the investment

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

**f) Revenue**

Revenue from contracts with customers - Revenue is recognised upon transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To recognise revenue under IFRS 15, the following five steps approach is required by the accounting standard:

- identify the contract(s) with a customer.
- identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.
- determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.
- allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.
- recognise revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

The main revenue streams are import, export and distribution of metal and minerals, tools, food and household consumer products. A disaggregation of revenue by product type has been included in Note 3.

Contracts contain one performance obligation. Revenue from sale of goods to customers is recognised when the performance obligation is satisfied and goods are delivered to the location specified by the customer. For international trade that might be the port of loading or discharge, or delivery to the customer's premises. Deliveries to domestic customers are normally to the customer's premises. Prices are fixed and are determined on a contract by contract basis. Payment terms are typically 60 to 90 days from the date of delivery.

Rental income on properties is recognised on a straight-line basis over the lease term.

**g) Interest and Dividends**

Interest is recognised using the effective interest rate method.

Dividends are recognised when the shareholder's right to receive payment has been established.

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#### **h) Investment Properties**

Investment properties are those held to earn rental income and for capital growth. These properties are initially recognised at cost and subsequently measured at fair value. These properties are independently valued on an open market basis on a regular basis. Open market value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Open market value approximates to fair value. Changes in fair value are included as part of Profit or Loss. Cumulative changes in fair value are recorded in Other reserves in Shareholders' Equity. These properties are not depreciated as they are measured at fair value; all maintenance and running costs are charged in operating costs in the year that they occur.

#### **i) Property, plant and equipment**

Commercial properties are held for use in the production and supply of goods or services and/or for administrative purposes. They are revalued annually and are carried at revalued amounts. Increases in the carrying amounts arising on revaluation are recognised, net of tax, in other comprehensive income and accumulated in Other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Residual values of commercial buildings are reviewed annually, and where these have been assessed to be greater than carrying value the depreciation charge on these properties has been determined to be nil. Where residual values are less than carrying values, the difference is recognised as depreciation over the useful life of the property on a straight-line basis. Useful lives are reassessed annually. Land is not depreciated. On disposal of revalued assets, amounts in Other Reserves relating to that asset are transferred to Retained Earnings.

Depreciation Rate: Commercial property - buildings	2%-5%
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Plant, equipment, and vehicles are carried at cost less depreciation and impairment. The carrying amounts of the Group's plant, equipment and vehicles are reviewed for impairment at each reporting date. If there is any indication that an asset is impaired, the carrying value is reduced to its estimated recoverable value and impairment loss is recognised immediately.

Depreciation is calculated on the straight line method at the following annual rates:

Plant	10%-20%
Equipment	9%-100%
Vehicles	13%-20%

Depreciation has been calculated on the straight-line basis to write off the cost, less any expected residual value, of non-current assets over their useful lives. On disposal, gains or losses are included in Profit or Loss. Residual values and useful lives are reassessed annually.

#### **j) Investments**

Investments held by the Group comprise listed and unlisted equities as well as treasury bills. Listed shares held by the Group that are traded in an active market are stated at market bid prices (which are considered to be their fair value). Treasury bills are stated at fair value. Unlisted shares are stated at fair value as explained in more detail in note 15.

As per IFRS 9 these financial assets fall within Fair Value through profit and loss category. Changes in the fair values of these financial assets, previously recognised in the OCI, are now recorded in Other income/expenses through profit and loss. Gains and losses realised on the sale of these financial assets will be recorded in the profit and loss to the extent of the difference between sale price and fair value previously reported.

#### **k) Inventories**

Inventories (primarily tools and non-perishable foodstuffs) are measured at the lower of cost and net realisable value. The value of raw materials and finished goods comprises all of the costs of purchase, conversion and other costs incurred in bringing the inventory to their present location and condition. The costs are assigned to individual items of inventory on the basis of first-in, first-out (FIFO). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated completion and selling costs incurred to make the sale. Obsolete, redundant and slow-moving inventories are identified on a regular basis and are written down to their estimated realisable values.

## **2. ACCOUNTING POLICIES (continued)**

### **l) Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity in which case it is recognised in Other Comprehensive Income or directly in equity, respectively.

#### *Current Income Tax*

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries and associates operate and generate taxable income, and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### *Deferred Tax*

Deferred tax is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements for financial reporting purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of an asset or liability; a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply to temporary differences when they reverse.

A deferred tax asset is recognised for unused tax losses arising on deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **m) Leases**

Where the substance of a lease transfers substantially all of the risks and rewards incidental to ownership of the leased asset to the lessee, it is a finance lease. If a lease is not a finance lease it is classified as an operating lease.

The Group as a lessor of investment properties recognises operating lease income on a straight-line basis, based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. Operating lease receivables are recognised in the Statement of Financial Position at the undiscounted cost of the cash flows due under the lease.

The Group as an operating lessee recognises the costs of leasing other assets through profit or loss on a straight-line basis over the term of the lease. The difference between amounts recognised and contractual cost is recognised as an operating lease liability at the undiscounted cost of the contractual cash flows due under the lease.

### **n) Employee Costs**

The costs of short-term employee benefits are recognised in the period in which the service is rendered.

The policy of the Group is to provide retirement benefits through defined contribution schemes, for which the Group has no further liability. Current contributions to pension funds are charged in operating costs as incurred.

### **o) Foreign Currencies**

All exchange gains and losses on settlement of foreign currency transactions or the translation of monetary assets and liabilities at reporting date exchange rates are included in profit or loss.

On consolidation, income and expenditure of subsidiaries expressed in a currency other than US\$ is translated at average monthly rates of exchange for the year, which are deemed to reflect with reasonable accuracy the changes in exchange rates over the year.

## 2. ACCOUNTING POLICIES (continued)

Assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates of exchange at the reporting date.

### o) Foreign Currencies (continued)

Differences on translation arising in changes in the US\$ value of overseas net assets held at the beginning of the accounting period to that at the end of the period are included in Other Comprehensive Income.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss from the Foreign Currency Translation reserve, as part of the gain or loss on sale.

The exchange loss or profit arising from the difference in the average monthly rates used for the profit or loss and the rates at the reporting date used in the Consolidated Statement of Financial Position purposes is shown in Other Comprehensive Income.

The rates used are:		Consolidated Statement of Profit or Loss and Other Comprehensive Income		Statement of Financial Position	
		2019	2018	2019	2018
South Africa -	USD/ZAR=	14.357	13.046	15.162	14.151
Europe -	€/USD=	1.121	1.190	1.090	1.161
United Kingdom -	£/USD=	1.273	1.347	1.232	1.304

### p) Cash and Cash Equivalents

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments. Where a right of offset exists, account balances are aggregated.

### q) Fair Value Hierarchy

IFRS 13 requires disclosure of fair value measurements under the following hierarchy:

Financial assets and liabilities are classified in their entirety into one of the three levels determined on the basis of the lowest input that is significant to the fair value measurement.

Listed prices (unadjusted) in active markets for identical assets or liabilities – Level 1

Values other than listed prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) – Level 2

Values for the asset or liability that are not based on observable market data (that is unobservable inputs) – Level 3

### r) Financial Instruments

During the year the group adopted IFRS 9 Financial Instruments which addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new impairment model for financial assets. The standard replaces IAS 39 'Financial Instruments: Recognition and Measurement and related interpretations.

The new standard affected the classification and measurement of the Assets previously designated as available for sale which now fall under Assets at fair value through profit or loss. Changes in the fair values of these financial assets, previously recognised in the OCI, are recorded in Other income/expenses through profit and loss. Gains and losses realised on the sale of these financial assets are recorded in the profit and loss to the extent of the difference between sale price and fair value recorded.

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

This re-categorisation of unrealised fair value movements changed Profit after tax for the year ended 30<sup>th</sup> September 2018 from US\$13,218,000 to US\$12,930,000.

IFRS 9 also replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. Under the new model, the group assesses, on a forward-looking basis, the expected credit loss associated with its financial assets.

**r) Financial Instruments (continued)**

Trade receivables are impaired using the simplified approach. This has resulted in a re-statement of the opening balances in the Statement of Financial Position by US\$(61,000) and a negligible impact on the current year.

There is no material impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the value of these is not material for the Group.

*Financial Assets*

Regular purchases and sales of financial assets are recognised on the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the instrument has expired or has been transferred and the Group has transferred substantially all risks and rewards of ownership.

The principal financial assets are the portfolio investments, cash and cash equivalents and the accounts receivable.

Investments are held at FVTPL because they are held for their yield as well as capital appreciation and do not contain contractual terms which give rise on specified dates to cash flows that are solely payments of principal plus interest.

The listed investments are initially valued at cost and subsequently measured at fair value based on listed share prices in active markets for these shares, they are held as assets at fair value through profit or loss; treasury bills are initially valued as cost and subsequently held at fair value through profit or loss; unlisted investments are initially valued at cost and subsequently measured at fair value, they are held as assets at fair value through profit or loss.

Other financial assets are held at amortised cost as they represent contractual commitments to receive payments of principal and interest and the Group's business model is to hold these financial assets in order to collect the contractual cash flows.

Cash and cash equivalents are initially recorded at fair value and subsequently held at amortised cost; accounts receivable, excluding operating lease receivables, which are covered under note 2(m), are initially valued at fair value and subsequently held at amortised cost, using the effective interest method less any adjustments required as a result of impairment.

The carrying amounts of the trade receivables are reviewed under the expected credit loss model and the simplified approach is used.

*Financial Liabilities*

Financial liabilities are classified according to the substance of the contractual agreements entered into. The principal financial liabilities are bank loans and accounts payable, which are initially valued at fair value, and subsequently at amortised cost, using the effective interest method. The value of non-current financial liabilities is calculated by discounting their future cash flows at the market rate that reflects current interest rates. Where the effects of discounting are immaterial, no discounting is applied. Other financial liabilities are classified as financial liabilities at amortised cost.

*Derivative Financial Instruments*

Derivative financial instruments, which have been entered into to hedge future cash flows but which for accounting purposes are not designated as hedging instruments, consisting of forward foreign exchange contracts, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates using market prices.

Derivatives are classified as financial assets or liabilities at fair value through profit or loss. Fair value is determined by market value quotes received from independent financial institutions. Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

**s) Segmental Reporting**

Operating segments are reported in a manner consistent with internal reporting provided to the Group Board which is responsible for allocating resources and assessing performance of the operating segments and therefore is the Chief Operating Decision Maker.

### 3. SEGMENTAL REPORTING

For management purposes the Group is organised on a worldwide basis into the following main business segments grouped by similar businesses and services:

Import and distribution	Trade in metal and minerals, tools, food and household consumer products primarily imports to, and exports from, South Africa.
Property	Investment properties in U.S.A. and South Africa.
Investments in associated companies	Companies involved in marketing and merchandising.
Excluded from the segmental analysis are	Mainly transactions relating to the share portfolios, profits on disposals of tangible and intangible non-current assets, local head office costs and interest.
Other activities	

There are no sales between entities in different business segments and businesses carrying out similar trades and services are grouped in the same segments.

	2019		Restated 2018	
	Revenue US\$000	Profit/(loss) US\$000	Revenue US\$000	Profit/(loss) US\$000
<b>Segmental analysis of results</b>				
Import and distribution *	195,503	6,224	201,651	6,025
Property	3,096	891	3,114	966
Share of associated companies results		20	-	-
Continuing operations	<u>198,599</u>	<u>7,135</u>	204,765	6,991
Other expenses		(2,280)		(3,317)
Other income		3,323		5,572
Finance expense		(1,992)		(2,122)
Profit on continuing operations before tax		<u>6,186</u>		<u>7,124</u>
<b>Discontinued operations</b>				
Import and distributions	<u>230,860</u>	6,975	212,434	7,050
	<u>429,459</u>		<u>417,199</u>	
Profit for the year before tax on continuing and discontinued operations		<u>13,161</u>		<u>14,174</u>

\*Includes sales of continuing operations to the Group's major customers representing 10% or more of Group revenue in the last two years

	2019 US\$000	2018 US\$000
Customer A	29,216	28,262
Customer B	36,159	31,198

**Notes to the Consolidated Statements (continued)**  
**For the year ended 30<sup>th</sup> September 2019**

**3. SEGMENTAL REPORTING (continued)**

Segment assets consist of property, plant and equipment, inventories and receivables and exclude cash balances. Segment liabilities are operating liabilities and exclude items such as taxation and borrowings. Unallocated assets and liabilities are investments, holding company assets and liabilities, cash balances, taxation and borrowings. Capital expenditure comprises additions to property, plant and equipment.

<b>Segmental analysis of net assets 30<sup>th</sup> September 2019</b>	<b>Assets US\$000</b>	<b>Liabilities US\$00</b>	<b>Net assets US\$000</b>	<b>Capital Expenditure US\$000</b>	<b>Depreciation/ amortisation US\$000</b>
Import and distribution	54,059	(21,093)	32,966	623	(493)
Property	25,283	(680)	24,603	29	(4)
Investment in associated companies	409	-	409	-	-
Unallocated	55,897	(27,959)	27,938	-	(23)
Consolidated total on continuing operations	135,648	(49,732)	85,916	652	(520)
Discontinued operations – held for sale	41,488	(31,987)	9,501	793	(528)
<b>Consolidated total</b>	<b>177,136</b>	<b>(81,719)</b>	<b>95,417</b>	<b>1,445</b>	<b>(1,048)</b>
<b>Segmental analysis of net assets 30<sup>th</sup> September 2018</b>					
Import and distribution	108,814	(58,709)	50,105	2,288	(1,145)
Property	24,397	(669)	23,728	23	(2)
Investment in associated companies	192	-	192	-	-
Unallocated (including investments, cash, tax and debt)	52,440	(35,573)	16,867	-	-
Consolidated total	185,843	(94,951)	90,892	2,311	(1,147)

**Secondary reporting format – geographical segments**

The Group operates in the following geographic areas:

Europe	Location for part of the Group's import and distribution business, the non-trading parent company and most of the Group's investment portfolio.
Middle East	Location for part of the Group's import and distribution business in prior year.
United States	Location for part of the Group's property portfolio and some of the Group's investment portfolio.
South Africa	Location for part of the Group's import and distribution business and part of the Group's property portfolio.

Assets and Liabilities are shown by the geographical area in which the assets are located. Non-current assets exclude investments and deferred tax.

<b>Segmental analysis at 30<sup>th</sup> September 2019</b>	<b>Group revenue US\$000</b>	<b>Non-Current assets US\$000</b>	<b>Total Assets US\$000</b>	<b>Total Liabilities US\$000</b>
Europe	106,560	118	59,309	(17,786)
United States	1,372	13,402	27,293	(10,811)
Total outside South Africa	107,932	13,520	86,602	(28,597)
South Africa	90,667	17,734	49,046	(21,135)
Total continuing operations	198,599	31,254	135,648	(49,732)
Discontinued operations – South Africa	230,860	3,756	41,488	(31,987)
	429,459	35,010	177,136	(81,719)

### 3. SEGMENTAL REPORTING (continued)

<b>Segmental analysis at 30<sup>th</sup> September 2018</b>	Group revenue US\$000	Non-current assets US\$000	Total Assets US\$000	Total Liabilities US\$000
Europe	79,783	140	58,029	(20,372)
Middle East	4,439	3	1,072	(489)
United States	1,254	12,694	26,525	(10,523)
Total outside South Africa	<u>85,476</u>	<u>12,837</u>	<u>85,626</u>	<u>(31,384)</u>
South Africa	331,723	23,287	100,217	(63,567)
Total	<u>417,199</u>	<u>36,124</u>	<u>185,843</u>	<u>(94,951)</u>

Assets and liabilities are shown by the geographical area in which the assets are located. Non-current assets exclude investments and deferred tax.

### Group revenue for continuing operations disaggregated by product type

		2019 US\$000	Restated 2018 US\$000
Import & Distribution	FMCG excluding Coffee	94,914	117,673
	FMCG Coffee	8,096	8,645
	FMCG Total	<u>103,010</u>	126,318
	Metals & Minerals	64,698	41,021
	Tool and Machinery	27,795	34,311
		<u>195,503</u>	201,650
Property		3,096	3,114
Total		<u>198,599</u>	<u>204,765</u>

All revenue from discontinued operations relates to revenue derived from FMCG excluding coffee activity.

### 4. OTHER INCOME

	2019 US\$000	2018 US\$000
Fair value adjustments on investment property (see note 10)	1,225	3,202
Gain on disposal on non-current tangible assets	-	13
Reversal of impairment on non-current asset	42	10
Fair value adjustment on investments	39	-
Fair value adjustments on forward foreign exchange contracts	28	-
Dividend income	872	819
Interest income	505	942
Other income	340	272
Exchange gains	272	91
Profit on disposal of investments	-	232
Total other income in continuing operations	<u>3,323</u>	<u>5,572</u>
Other income in discontinued operations	121	241
	<u>3,444</u>	<u>5,813</u>

**Notes to the Consolidated Statements (continued)**  
**For the year ended 30<sup>th</sup> September 2019**

**5. OTHER EXPENSES**

	<b>2019</b>	Restated
	<b>US\$000</b>	2018
		US\$000
Fair value adjustment on investments	-	(152)
Loss on disposal of investments	-	(324)
Loss on disposal of non-current tangible assets	<b>(27)</b>	<b>(33)</b>
Fair value adjustments and losses on disposal	<b>(27)</b>	<b>(509)</b>
Exchange losses	<b>(1,164)</b>	<b>(1,232)</b>
Reorganisation costs	<b>(57)</b>	-
Clearing expenses	<b>(15,879)</b>	<b>(8,695)</b>
Administration and other expenses	<b>(24,205)</b>	<b>(23,849)</b>
Total other expenses on continuing operations	<b>(41,332)</b>	<b>(34,285)</b>
Other expenses in discontinued operations	<b>(11,974)</b>	<b>(13,549)</b>
	<b>(53,306)</b>	<b>(47,834)</b>

Administration and other expenses include: -

Marketing and sales expenses	<b>1,498</b>	4,273
Operating lease costs		
Premises	<b>921</b>	3,220
Plant, equipment and vehicles	<b>267</b>	203
Auditors' fees of the Company and its subsidiaries		
Audit related	<b>437</b>	417

**6. TAXATION**

	<b>2019</b>	Restated
	<b>US\$000</b>	2018
		US\$000
Corporate tax		
Current year	<b>1,540</b>	378
Prior years	<b>(19)</b>	12
Deferred taxation (Note 19)	<b>563</b>	854
	<b>2,084</b>	1,244
Taxation on discontinued operations	<b>2,153</b>	1,849
	<b>4,237</b>	<b>3,093</b>

This equates to an effective tax rate on profit before tax of 33.7% (2018 restated – 17.4%)

## 6. TAXATION (continued)

The reconciliation of the expected tax charge of Group companies to the actual tax charge is as follows:

	2019 US\$000	Restated for IFRS 9 2018 US\$000
Profit before taxation	6,186	7,124
Weighted average standard statutory tax rate <sup>1</sup>	26.0%	30.5%
Expected tax charge at standard statutory rates <sup>2</sup>	1,611	2,173
Withholding taxes	793	744
Effect of non-standard rates of tax <sup>3</sup>	(240)	(5)
Effect of change in rates of tax	-	(286)
Losses unrelieved <sup>4</sup>	84	14
Over provisions in prior years <sup>5</sup>	(9)	(1,411)
Other timing differences	(155)	(15)
	<u>2,084</u>	<u>1,244</u>

<sup>1</sup> The weighted average standard statutory tax rate is the expected tax charge divided by the profit before tax.

<sup>2</sup> The expected tax charge is the applicable standard tax rates in each national jurisdiction multiplied by the profit or loss before tax in each national jurisdiction. There have been no significant changes in the tax rates in any of the jurisdictions in which the Group operate.

<sup>3</sup> Certain items of income or expenditure are subject to tax at rates which differ from the standard rates in the jurisdiction.

<sup>4</sup> Tax losses are recognised only to the extent it is probable that future taxable profit will be available against which the benefits can be realised.

<sup>5</sup> Includes release of tax provision of US\$1.4m in the Group holding company relating to period 2000-2013.

## 7. DISCONTINUED OPERATIONS

### a) Monteagle Africa Limited

During the year, the directors took a decision to sell their 50.1% shareholding in Monteagle Africa Limited. Consequently, the investment held in Monteagle Africa Limited as well as indirect investment held via Monteagle Africa, namely Monteagle Merchandising Propriety Limited – 50% and Gayle Henderson Marketing Propriety limited - 26%, have been disclosed as current assets held for sale at year end and their associated liabilities also classified as held for sale.

The relevant income and expenditure related to these entities have been disclosed under discontinued operations in the statement of profit and loss.

	2019 US\$000
<b>Assets held for sale</b>	
Property, plant and equipment	3,281
Deferred taxation	647
Intangible assets	475
Investments in associated company	198
Inventories	5,880
Accounts receivable	28,672
Cash and cash equivalents	2,302
Tax recoverable	7
Derivatives	26
	<u>41,488</u>

**Notes to the Consolidated Statements (continued)**  
**For the year ended 30<sup>th</sup> September 2019**

**7. DISCONTINUED OPERATIONS (continued)**

	2019 US\$000	
<b>Liabilities held for sale</b>		
Overdraft	-	
Tax payable	(52)	
Borrowings	(268)	
Lease Liabilities	(65)	
Trade and other payables	(31,602)	
	<u>(31,987)</u>	
	2019	2018
	US\$000	US\$000
<b>Comprehensive income</b>		
Revenue	230,860	212,434
Cost of sales	(199,757)	(181,047)
Other income	121	241
Operating and other expenses	(21,770)	(22,728)
Share of associate profits – Gayle Henderson Marketing Propriety Limited	60	51
Finance costs	(387)	(52)
Profit before tax	<u>9,127</u>	<u>8,899</u>
Taxation	(2,152)	(1,849)
Profit after tax	<u>6,975</u>	<u>7,050</u>
<b>Other comprehensive income</b>		
Gains on property revaluation – net of tax	<u>16</u>	<u>52</u>
<b>Cashflows from discontinued operations</b>		
Operating activities	7,299	(512)
Investing activities	(572)	(1,208)
Financing activities	(1,587)	(1,641)
Net cash inflows/(outflows) on discontinued operations	<u>5,140</u>	<u>(3,361)</u>

**b) LMA Limited**

The Group also sold its holdings in LMA Global DWC Limited for its net asset value of \$323,000 which has been received in full.

Details of disposal

	US\$000
Property, plant and equipment	3
Accounts receivable	869
Cash and cash equivalents	263
Trade and other payables	(489)
Minority interest	(323)
Net disposal	<u>323</u>

## 8. EARNINGS PER SHARE

Earnings per share and headline earnings per share are based on the result attributable to shareholders of the Group and on the weighted average of shares in issue of 35,857,512 (2018 – 35,857,512). There are no dilutive instruments in issue.

	2019	Restated for IFRS 9 and 5 2018
Basic earnings per share on continuing operations	<b>US\$11.0c</b>	US\$15.9c
Basic earnings per share on discontinued operations	<b>US\$10.6c</b>	US\$11.2c
Basic and fully diluted earnings per share	<b>US\$21.6c</b>	US\$27.1c
Headline basic earnings per share on continuing operations	<b>US\$8.5c</b>	US\$9.5c
Headline basic earnings per share on discontinued operations	<b>US\$10.6c</b>	US\$11.2c
Headline basic and fully diluted earnings per share on continuing and discontinued operations	<b>US\$19.1c</b>	US\$20.7c
Basic earnings on continuing and discontinued operations	<b>7,730</b>	9,723
Share of profit on discontinued operations	<b>(3,789)</b>	(4,013)
Basic earnings on continuing operations	<b>3,941</b>	5,710

	Gross US\$000	Tax US\$000	2019 Net US\$000
<b>Reconciliation between basic and headline earnings</b>			<b>7,730</b>
<i>Basic earnings on continuing and discontinued operations</i>			<i>7,730</i>
<i>Adjusted for: -</i>			
Fair value adjustments on investment property revaluation	(1,225)	354	(871)
Recovery of impairment on non-current assets	(42)		(42)
Net loss on disposal of non-current tangible assets	67	-	67
Net gain on disposal of subsidiary	(40)		(40)
Headline earnings			<b>6,844</b>

	Gross US\$000	Tax US\$000	2019 Net US\$000
<b>Reconciliation between basic and headline earnings</b>			<b>3,941</b>
<i>Basic earnings on continuing operations</i>			<i>3,941</i>
<i>Adjusted for: -</i>			
Fair value adjustments on investment property revaluation	(1,225)	354	(871)
Recovery of impairment on non-current assets	(42)		(42)
Net loss on disposal of non-current tangible assets	27	-	27
Headline earnings			<b>3,055</b>

	Gross US\$000	Tax US\$000	2018 Net US\$000
<b>Reconciliation between basic and headline earnings</b>			<b>9,723</b>
<i>Basic earnings</i>			<i>9,723</i>
<i>Adjusted for: -</i>			
Fair value adjustments on investment property revaluation	(3,202)	879	(2,323)
Recovery of impairment on non-current assets	(10)	-	(10)
Net loss on disposal of non-current tangible assets	20	-	20
Headline earnings			<b>7,410</b>

**Notes to the Consolidated Statements (continued)**  
**For the year ended 30<sup>th</sup> September 2019**

**9. DIVIDENDS**

	<b>2019</b>	2018
	<b>US\$000</b>	US\$000
<b>Interim</b>		
US\$1.9 cents per share (2018 – US\$1.9c)	<b>682</b>	681
<b>Second interim (final) dividend in respect of prior year</b>		
US\$1.9 cents per share (2018 – US\$1.9c)	<b>682</b>	682
Total dividends paid in the year US\$3.8 cents (2018 – US\$3.8c)	<u><b>1,364</b></u>	<u>1,363</u>

A second interim (final) dividend of US\$1.9 cents per share for the year ended 30<sup>th</sup> September 2019 (2018 - US\$1.9 cents) has been declared.

**10. INVESTMENT PROPERTIES**

	<b>2019</b>	2018
	<b>US\$000</b>	US\$000
Brought forward 1 <sup>st</sup> October		
At fair value	<b>23,565</b>	20,923
Translation adjustment	<b>(725)</b>	(442)
	<u><b>22,840</b></u>	<u>20,481</u>
Fair value adjustments	<b>1,225</b>	3,202
Translation adjustment	<b>(28)</b>	(141)
Improvement expenditure	<b>29</b>	23
Balance carried forward 30 <sup>th</sup> September – at fair value	<u><b>24,066</b></u>	<u>23,565</u>
<b>Analysis of net book value:</b>		
United States	<b>13,403</b>	12,694
South Africa	<b>10,663</b>	10,871
	<u><b>24,066</b></u>	<u>23,565</u>

Amounts recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for investment properties:

Rental Income	<b>3,096</b>	3,114
Direct operating expenses from property that generated rental income	<b>(2,205)</b>	(2,148)
	<u><b>891</b></u>	<u>966</u>
Fair value recognised in other income	<b>1,225</b>	3,202
	<u><b>2,116</b></u>	<u>4,168</u>

The bases for valuation of properties are set out in note 28. A deduction from the valuation amount is made for the lease receivables recognised in accounts receivable (note 17(b)).

All properties were rent producing. Certain investment properties, valued at US\$16,462,000 were mortgaged at 30<sup>th</sup> September 2019 to secure long-term finance (see note 17).

As lessor, at 30<sup>th</sup> September 2019 the Group had projected future rental income within one year of US\$2,200,000 (2018 – US\$2,193,000) and within two to five years of US\$4,546,000 (2018 – US\$3,509,000), under non-cancellable operating leases on properties.

There are options to renew the lease agreements if agreed by both parties. Escalation clauses are included within the lease agreements. There are no contingent rentals or options to purchase.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Plant US\$000	Equipment US\$000	At cost	At valuation		Total US\$000
			Vehicles US\$000	Commercial Property Land US\$000	Buildings US\$000	
<b>Year Ended 30<sup>th</sup> September 2019</b>						
Brought forward 1 <sup>st</sup> October						
At cost or valuation	1,819	5,117	1,621	2,732	5,007	16,296
Translation adjustment	(121)	(337)	(108)	(177)	(333)	(1,076)
	1,698	4,780	1,513	2,555	4,674	15,220
Revaluations				28	174	202
Additions	253	663	274	-	226	1,416
Disposals	(62)	(924)	(87)	-	(2)	(1,075)
Move of subsidiary to associate		(1,109)	(693)	-	-	(1,802)
Transferred to Held for sale	-	(1,850)	(292)	(444)	(1,721)	(4,307)
Balances carried forward 30 <sup>th</sup> September	1,889	1,560	715	2,139	3,351	9,654
<b>Depreciation</b>						
Brought forward 1 <sup>st</sup> October	(1,027)	(2,948)	(798)	-	-	(4,773)
Translation adjustment	68	196	53	-	-	317
	(959)	(2,752)	(745)			(4,456)
Charge for the year	(174)	(471)	(98)			(743)
Translation adjustment	9	24	5			38
Disposals	57	694	70			821
Move of subsidiary to associate		576	273			849
Transferred to Held for sale	-	929	96			1,025
Balances carried forward 30 <sup>th</sup> September	(1,067)	(1,000)	(399)	-	-	(2,466)
Net book value 30 <sup>th</sup> September 2019	822	560	316	2,139	3,351	7,188
<b>Year Ended 30<sup>th</sup> September 2018</b>						
Brought forward 1 <sup>st</sup> October						
At cost or valuation	1,750	4,413	1,555	1,862	5,054	14,634
Translation adjustment	(80)	(200)	(71)	(80)	(233)	(664)
	1,670	4,213	1,484	1,782	4,821	13,970
Revaluations	-	-	-	351	53	404
Additions	230	456	325	600	133	2,288
Disposals	(81)	(1,184)	(188)	(1)	-	(366)
Balances carried forward 30 <sup>th</sup> September	1,819	5,117	1,621	2,732	5,007	16,296
<b>Depreciation</b>						
Brought forward 1 <sup>st</sup> October	(959)	(2,515)	(763)	-	-	(4,237)
Translation adjustment	44	116	35	-	-	195
	(915)	(2,399)	(728)	-	-	(4,042)
Charge for the year	(168)	(694)	(208)	-	-	(1,070)
Translation adjustment	13	53	16	-	-	82
Disposals	43	93	122	-	-	258
Balances carried forward 30 <sup>th</sup> September	(1,027)	(2,947)	(798)	-	-	(4,772)
Net book value 30 <sup>th</sup> September 2018	792	2,170	823	2,732	5,007	11,524

**Notes to the Consolidated Statements (continued)**  
**For the year ended 30<sup>th</sup> September 2019**

**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

Revaluations of commercial property include revaluations of US\$137,000 (2018 - US\$395,000) recognised in Other comprehensive income and reversal of impairments of US\$ 42,000 (2018 - US\$10,000) recognised in Other income

	<b>2019</b>	2018
	<b>US\$000</b>	US\$000
<b>Analysis of net book value:</b>		
South Africa		
Commercial property	<b>5,490</b>	7,659
Plant, equipment and vehicles	<b>1,580</b>	3,735
	<b>7,070</b>	11,394
Other jurisdictions – Commercial property and equipment	<b>118</b>	130
Total	<b>7,188</b>	11,524
Held for sale	<b>3,281</b>	-
	<b>10,469</b>	11,524

Details of commercial property valuation methods and inputs are provided in note 28.

Commercial properties with a carrying value of US\$4,570,000 (2018 – US\$4,650,000) were mortgaged at 30<sup>th</sup> September 2019 to secure long-term finance (see note 17).

The carrying value of the revalued commercial property under the cost model would have been US\$2,189,000 (2018 – US\$4,540,000).

**12. GOODWILL**

	<b>2019</b>	2018
	<b>US\$000</b>	US\$000
Balance brought forward 1 <sup>st</sup> October	<b>175</b>	183
Translation adjustment	<b>(12)</b>	(8)
Discontinued operations	<b>(163)</b>	-
Balance carried forward 30 <sup>th</sup> September	<b>-</b>	175

No impairment arises following the annual assessment, on a fair value less costs to sell basis. There was no impairment in previous years.

**13. INTANGIBLE ASSETS**

	<b>2019</b>	<b>2019</b>	2018	2018
	<b>Customer Lists, Brand Names and Trademarks US\$000</b>	<b>Computer Software US\$000</b>	<b>Customer Lists, Brand Names and Trademarks US\$000</b>	<b>Computer Software US\$000</b>
Balance brought forward 1 <sup>st</sup> October	<b>509</b>	<b>159</b>	534	183
Translation adjustment	<b>(34)</b>	<b>(10)</b>	(25)	(2)
Additions		<b>13</b>	-	55
Move of subsidiary to associate		<b>(135)</b>	-	-
Amortisation		<b>(27)</b>	-	(77)
Transferred to Held for sale	<b>(475)</b>	-	-	-
Balance carried forward 30 <sup>th</sup> September	<b>-</b>	<b>-</b>	509	159
Total	<b>-</b>	<b>-</b>	<b>668</b>	

No impairment arises following the annual assessment, on a fair value less costs to sell basis. There was no impairment in previous years.

#### 14. INVESTMENT IN ASSOCIATED COMPANIES

During the year Monteagle Logistics Limited became an associate as a result of changes in board composition. This is illustrated in the table below.

	2019 US\$000	2018 US\$000
Balance brought forward 1 <sup>st</sup> October	192	187
Translation adjustment on balance brought forward	(13)	(9)
Share of net asset value of former subsidiary – now accounted for as associate	472	-
Share of results for the year	20	51
Translation adjustment on results for the year	(1)	(4)
Dividends received	(82)	(33)
Transferred to assets held for sale	(179)	-
Balance carried forward 30 <sup>th</sup> September	<u>409</u>	<u>192</u>
Investment in associate held		
Gayle Henderson Marketing Proprietary Limited – Marketing company Incorporated and operating in South Africa, unlisted *	26%	26%
Monteagle Logistics Limited – Incorporated and operating in South Africa	50%	-

Summarised financial information of material associates

	2019 US\$000	2018 US\$000
<b>Gayle Henderson Marketing Proprietary Limited</b>		
Revenue	1,360	1,218
Profit after tax - unaudited	<u>217</u>	<u>179</u>
Non-current assets	142	118
Current assets	379	354
Current liabilities	(127)	(108)
Non-current liabilities	(19)	(40)
Total net assets	<u>375</u>	<u>324</u>
<b>Monteagle Logistics Limited</b>		
Revenue	32,259	-
Profit after tax	<u>287</u>	-
Non-current assets	1,852	-
Current assets	5,293	-
Current liabilities	(4,930)	-
Non-current liabilities	(1,395)	-
Total net assets	<u>820</u>	-

\*As at the end of the year, the investment in Gayle Henderson Marketing Proprietary Limited has been transferred to assets held for sale.

There are no restrictions on the remaining investment.

**Notes to the Consolidated Statements (continued)**  
**For the year ended 30<sup>th</sup> September 2019**

**15. INVESTMENTS**

	<b>2019</b>	2018
	<b>US\$000</b>	US\$000
<b>Listed investments</b>		
Balance brought forward 1 <sup>st</sup> October	26,481	25,369
Additions	331	3,686
Disposals	-	(2,236)
Fair value adjustments (note 21)	238	(135)
Fair value adjustments realised on disposal	-	(203)
Balance carried forward 30 <sup>th</sup> September	<u>27,050</u>	<u>26,481</u>
<b>Treasury bills</b>		
Balance brought forward 1 <sup>st</sup> October	2,000	-
Additions	-	2,000
Balance carried forward 30 <sup>th</sup> September	<u>2,000</u>	<u>2,000</u>
<b>Unlisted investment</b>		
Balance brought forward 1 <sup>st</sup> October	2,811	2,625
Fair value adjustments (note 21)	(199)	186
Balance carried forward 30 <sup>th</sup> September	<u>2,612</u>	<u>2,811</u>
<b>Net book value 30<sup>th</sup> September</b>	<u><b>31,662</b></u>	<u><b>31,292</b></u>
<b>Geographical analysis</b>		
	<b>2019</b>	2018
	<b>US\$000</b>	US\$000
Listed investments in:		
UK	6,380	6,772
USA	11,118	10,745
Europe	4,889	4,712
Switzerland	2,817	2,695
Japan	1,516	1,557
South Africa	330	-
	<u>27,050</u>	<u>26,481</u>
Treasury bills in USA	2,000	2,000
Unlisted in Europe	2,612	2,811
	<u>31,662</u>	<u>31,292</u>

A portion of the parent company's listed portfolio investments, with a value of US\$9,570,000 is pledged to secure an overdraft facility of US\$3,989,000, of which US\$1,654,000 is drawn at the reporting date (see note 17).

The unlisted investment in Heartstone is carried at fair value which is calculated based on the net asset value per share at 30<sup>th</sup> September 2019 of US\$1.77 less a discount of 10% to take into account the illiquidity of this holding in a private company, based upon management accounts. A change in the net asset value by 3% would change the fair value by US\$78,000. The Group owns 1,641,309 Ordinary Shares in Heartstone.

Further details regarding the fair value of financial instruments are included in note 26.

**16. INVENTORIES**

	<b>2019</b>	2018
	<b>US\$000</b>	US\$000
Raw materials	2,373	2,159
Finished goods	22,356	27,250
	<u>24,729</u>	<u>29,409</u>
Held for sale	<u>5,880</u>	-

## 16. INVENTORIES (Continued)

There were no material provisions against obsolete inventories at 30<sup>th</sup> September 2019 (2018—not material). Inventory with a total value of US\$10,174,000 (2018 - US\$8,801,000) is pledged to First Rand Bank Limited as security for loans and pledged to Gerber Finance Inc. for receivables finance (see note 17). General notarial bonds exist in favour of: FNB Corporate, a division of First Rand Bank Limited to the value of US\$989,000 (2018 - US\$1,060,000) and to Gerber to the value of the remainder of inventories pledged (US\$9,185,000 (2018 – US\$7,741,000)).

## 17. ACCOUNTS RECEIVABLE AND OTHER FINANCIAL ASSETS

	2019 US\$000	2018 US\$000
a) Accounts receivable		
<i>At amortised cost</i>		
Trade debtors	19,835	62,148
Other debtors	3,072	5,441
	<u>22,907</u>	<u>67,589</u>
Held for sale	<u>28,672</u>	-
b) Other financial assets		
<i>At undiscounted cost</i>		
Accrued operating lease income on investment properties	327	274
<i>At fair value through profit or loss</i>		
Forward foreign exchange contacts	335	695
	<u>662</u>	<u>969</u>
Held for sale	<u>26</u>	-
	<b>2019</b>	<b>2018</b>
Aged analysis of trade debtors not impaired but overdue by:	<b>US\$000</b>	<b>US\$000</b>
One month	1,638	3,763
Two months	423	1,383
Three months	150	832
Four months and over	430	548

Customers are subject to credit verification procedures and balances are monitored on an on-going basis. The Group applies the simplified approach for providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime loss provision for all trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general conditions of the industries at the reporting date.

The below matrix has been used against receivables only from Tools & Machinery and Property income streams. Historically, losses from the other income streams of the Group have been exceptionally low and this, combined with management's views of the credit risk profile of the Group's current customers in these income streams, suggests no loss allowance for these receivables is considered necessary.

	Import and distribution Loss allowance ageing profile					Property Type of tenant	
	Current	Less than 30 days past due	30-60 days past due	61-90 days past due	More than 90 days past due	B grade	C grade
Expected loss rate (scope of applied %)	2.4%	6.0%	9.3%	2.0%	7.2%	14%	12-19%

**Notes to the Consolidated Statements (continued)**  
**For the year ended 30<sup>th</sup> September 2019**

**17. ACCOUNTS RECEIVABLE AND OTHER FINANCIAL ASSETS (continued)**

The loss allowance as at 30<sup>th</sup> September 2019 is determined as follows:

	<b>2019</b>	2018
	<b>US\$000</b>	US\$000
<b>Trade and other receivables impaired ageing</b>		
3 months and less	<b>205</b>	104
Over 3 months	<b>26</b>	81
	<b>231</b>	185
<b>Reconciliation of movement</b>		
At start of the year	<b>185</b>	183
Movement in impairment provisions	<b>45</b>	2
	<b>231</b>	185

The amounts due from other debtors were not overdue and not subject to any restrictions. Trade debtors with values of US\$5,992,000 (2018 – US\$42,924,000) are pledged to FNB Corporate (a division of First Rand Bank Limited) and US\$5,164,000 (2018 – US\$5,655,000) are pledged to FNB Corporate (a division of First Rand Bank Limited) and Gerber Finance Inc. (see note 18).

**18. FINANCIAL LIABILITIES**

	<b>2019</b>	2018
	<b>US\$000</b>	US\$000
<b>Current:</b>		
a) Financial liabilities		
<i>At amortised cost</i>		
Bank overdrafts	<b>6,637</b>	12,571
Trade creditors	<b>19,998</b>	52,535
Other creditors and short-term portions of secured loans	<b>1,293</b>	1,774
Accruals	<b>1,210</b>	5,621
	<b>29,138</b>	72,501
Held for sale	<b>31,922</b>	-
b) Other financial liabilities		
<i>At amortised cost</i>		
Capitalised lease obligations – (South African Rand)	-	89
<i>At fair value through profit or loss</i>		
Forward foreign exchange contracts	<b>36</b>	216
	<b>36</b>	305
Held for sale	<b>65</b>	-

US\$5,204,000 (2018 – US\$4,829,000) of the Group's trade creditors relate to amounts owing to Gerber Finance Inc. and these amounts are secured by trade debtors and inventories.

	<b>2019</b>	2018
	<b>US\$000</b>	US\$000
<b>Non-current:</b>		
Secured loans: - South Africa – (South African Rand)	<b>1,740</b>	2,436
- United States – (US Dollar)	<b>5,680</b>	5,798
- Middle East – (US Dollar)	-	100
Unsecured loan: - Europe – (US Dollar)	<b>5,400</b>	5,400
Operating lease obligation accruals – (South African Rand)	<b>3</b>	996
Finance lease obligations – (South African Rand)	<b>11</b>	173
	<b>12,834</b>	14,903

## 18. FINANCIAL LIABILITIES (Continued)

Financing liabilities reconciliation	Bank Overdraft US\$000	Financing liabilities US\$000	Total US\$000
<b>Balance brought forward 1<sup>st</sup> October 2018</b>	<b>12,571</b>	<b>14,903</b>	<b>27,474</b>
<i>Cash movements</i>			
Cash flows (excluding bank overdraft)	-	(2)	(2)
Bank overdraft movement	(6,483)	-	(6,483)
<i>Non-cash movements</i>			
Foreign exchange adjustments	549	(240)	309
Sale of subsidiary	-	(100)	(100)
Move of subsidiary to associate	-	(332)	(332)
Discontinued operations	-	(1,395)	(1,395)
<b>Balance carried forward 30<sup>th</sup> September 2019</b>	<b>6,637</b>	<b>12,834</b>	<b>19,471</b>
<b>Balance brought forward 1<sup>st</sup> October 2017</b>	<b>6,840</b>	<b>13,571</b>	<b>20,411</b>
<i>Cash movements</i>			
Cash flows (excluding bank overdraft)	-	1,091	1,091
Bank overdraft movement	5,453	-	5,453
<i>Non-cash movements</i>			
Foreign exchange adjustments	278	(123)	155
Other non-cash movements	-	364	364
<b>Balance carried forward 30<sup>th</sup> September 2018</b>	<b>12,571</b>	<b>14,903</b>	<b>27,474</b>

Long-term finance in the United States and South Africa is repayable by instalments and secured by mortgages on certain local investment and commercial properties and investments (see notes 9, 11 and 15). Certain of these mortgages include standard terms regarding the assignment of lease, rent and payments under insurance policies. The repayment terms vary from no fixed terms to 90 months.

Long-term finance in Europe is secured over investments and has no repayment date

The principal rates of interest on loans are commercial rates - United States 3.66%, Europe 3.75%, South Africa between 9.5 % and 11.5%.

## 19. DEFERRED TAXATION

	2019 US\$000	2018 US\$000
<b>Deferred tax assets:</b>		
Timing differences arising from: -		
Lease liabilities	9	305
Accruals	382	885
Losses recoverable	575	750
Other	33	(39)
	<u>999</u>	<u>1,901</u>
<b>Deferred tax liabilities</b>		
Timing differences arising from: -		
Investment property valuations	(5,339)	(5,063)
Commercial property valuations	(653)	(717)
Fair value adjustments to investments	(1,015)	(911)
Lease receivables	(60)	(44)
Other	(183)	(9)
	<u>(7,251)</u>	<u>(6,744)</u>

**Notes to the Consolidated Statements (continued)**  
**For the year ended 30<sup>th</sup> September 2019**

	2019 US\$000	Restated 2018 US\$000
<b>Reconciliation of movement</b>		
Disclosed as asset	1,901	2,293
Disclosed as liability	(6,744)	(6,221)
Balance at 1 <sup>st</sup> October	(4,843)	(3,928)
Translation adjustment	59	43
Discontinued operations	(878)	-
Deferred taxation charged to profit (see below)	(563)	(854)
Deferred tax charged to Other Comprehensive Income: - Increase in surplus on revaluation of commercial properties	(27)	(104)
Net book value 30 <sup>th</sup> September	<u>(6,252)</u>	<u>(4,843)</u>
	2019 US\$000	2018 US\$000
Disclosed as asset	999	1,901
Disclosed as liability	(7,251)	(6,744)
<b>Deferred taxation (charged)/credited to Profit or Loss arises from:</b>		
Increase in uplifts on revaluation of investment properties	(386)	(879)
(Decrease)/Increase in available losses	(135)	307
Increase in fair value adjustments to investments	(105)	(136)
Increase in accruals	166	62
(Expense)/Income in advance	(9)	(494)
Other	(94)	286
	<u>(563)</u>	<u>(854)</u>

There are no tax losses to be accounted for (2018 - nil).

**20. SHARE CAPITAL**

<b>Authorised</b>	<b>Number</b>	<b>US\$000</b>
Ordinary shares of US\$25 cents each	40,000,000	10,000
<b>Issued and fully paid at 30<sup>th</sup> September 2018 and 2019</b>	<b>35,857,512</b>	<b>8,964</b>

Each ordinary share carries one vote. There are no encumbrances on the issued ordinary shares and the unissued ordinary shares are under the control of the Directors, as authorised at the Annual General Meeting.

The Company has no unlisted shares.

## 21. OTHER RESERVES

The following table show a breakdown of the Consolidated Statement of Financial Position line item “Other reserves” and the movement in the reserves during the year.

<u>2018-2019</u>	Property Revaluation US\$000	Fair value of investments US\$000	Foreign currency translation US\$000	Total US\$000
<b>Other comprehensive income/(expense)</b>				
Commercial property revaluations	126			126
Translation of comprehensive income from average rates of exchange to those at the reporting date	-	-	(130)	(130)
Translation differences arising on the conversion of opening balances	-	-	(2,670)	(2,670)
Less non-controlling interests share of translation differences	(50)	-	851	801
<b>Other Comprehensive Income, net of non-controlling interests</b>	<b>76</b>	<b>-</b>	<b>(1,949)</b>	<b>(1,873)</b>
<b>Transfers from retained earnings</b>				
Unrealised gains on investments	-	39	-	39
Investment property revaluations	2,133	-	-	2,133
Deferred taxation on revaluations	(358)	(134)	-	(492)
	1,775	(95)	-	1,680
Disposal of subsidiary	-	(150)	-	(150)
Total movement	1,851	(245)	(1,949)	(343)
Balance brought forward 1 <sup>st</sup> October 2018	7,027	9,607	(16,582)	52
Balance carried forward 30 <sup>th</sup> September 2019	8,878	9,362	(18,531)	(291)
<b>Restated for IFRS 9</b>				
<u>2017-2018</u>	Property Revaluation US\$000	Fair value of investments US\$000	Foreign currency translation US\$000	Total US\$000
<b>Other comprehensive income/(expense)</b>				
Commercial property revaluations	291	-	-	291
Translation of comprehensive income from average rates of exchange to those at the reporting date	-	-	298	298
Translation differences arising on the conversion of opening balances	(475)	-	(1,704)	(2,179)
Less non-controlling interests share of translation differences	(141)	-	648	507
<b>Other Comprehensive Income, net of non-controlling interests</b>	<b>(325)</b>	<b>-</b>	<b>(758)</b>	<b>(1,083)</b>
<b>Transfers to/(from) retained earnings</b>				
Unrealised gains on investments	-	(85)	-	(85)
Reclassified profits on investments	-	(203)	-	(203)
Investment property revaluations	3,061	-	-	3,061
Deferred taxation on revaluations	(865)	-	-	(865)
	2,196	(288)	-	1,908
Total movement	1,871	(288)	(758)	825
Balance brought forward 1 <sup>st</sup> October 2017	5,156	9,895	(15,824)	(773)
Balance carried forward 30 <sup>th</sup> September 2018	7,027	9,607	(16,582)	52

**Notes to the Consolidated Statements (continued)**  
**For the year ended 30<sup>th</sup> September 2019**

**21. OTHER RESERVES (continued)**

	<b>2019</b>	2018
	<b>US\$000</b>	US\$000
Translation differences arising on the conversion of opening balances for -		
Investment properties	<b>(725)</b>	(442)
Other non-current assets	<b>(830)</b>	(470)
Inventories	<b>(1,941)</b>	(1,328)
Trade and other receivables	<b>(3,789)</b>	(2,054)
Trade and other payables	<b>3,966</b>	2,265
Cash and cash equivalents	<b>(119)</b>	(159)
Taxation	<b>42</b>	9
	<b>(2,670)</b>	(2,179)
Translation of comprehensive income from average rates of exchange to those at the reporting date	<b>(130)</b>	298
Total – Other Comprehensive Income	<b>(2,800)</b>	(1,881)

**22. RESERVES**

The following describes the nature and purpose of each reserve within shareholders' equity: -

<b>Reserve</b>	<b>Description and purpose</b>
Share capital	Amount subscribed for share capital at nominal value.
Share premium	The amount subscribed for share capital in excess of nominal value.
Other reserves	Cumulative fair value adjustments to property and investments and exchange arising on the translation of foreign entities. Distribution of these reserves to members is determined on the degree of realisation of the underlying transactions.
Retained earnings	Cumulative net gains and losses recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

**Capital management**

Capital is defined as the Company's ordinary share capital and reserves as detailed above.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue or repurchase shares. No changes were made to the objectives, policies or processes for managing share capital during the year ended 30<sup>th</sup> September 2019.

The Company requires its subsidiaries to pay annual dividends to support the Company's dividend policy. Other than this, the Company does not actively manage its share capital and reserves, instead its focus is on overseeing the management of its investments.

**23. NOTES TO THE CASH FLOW STATEMENT**

<b>(a) Analysis of net funds</b>	2018	Exchange movements	Cash Flow movement	Discontinued operations	2019
	US\$000	US\$000	US\$000	US\$000	US\$000
Cash at bank and in hand	18,453	(624)	6,695	(2,302)	<b>22,222</b>
Money market funds	29	(2)	405	-	<b>432</b>
	<u>18,482</u>	<u>(626)</u>	<u>7,100</u>	<u>(2,302)</u>	<b>22,654</b>
Bank overdrafts (note 17)	(12,571)	549	5,385	-	<b>(6,637)</b>
	<u>5,911</u>	<u>(77)</u>	<u>12,485</u>	<u>(2,302)</u>	<b>16,017</b>

### 23. NOTES TO THE CASH FLOW STATEMENT (continued)

(b) Analysis of funds by currency	2018	Exchange movements	Cash flow movement	Discontinued operations	2019
	US\$000	US\$000	US\$000	US\$000	US\$000
United States Dollars	4,266	-	7,447	-	11,713
Swiss Francs	110	(2)	16	-	124
Australian Dollars	23	(2)	-	-	21
South African Rands	(15)	18	3,042	(2,302)	743
Euros	1,140	(70)	2,358	-	3,428
Pounds Sterling	387	(21)	(378)	-	(12)
	<u>5,911</u>	<u>(77)</u>	<u>12,485</u>	<u>(2,302)</u>	<u>16,017</u>

### 24. RELATED PARTIES

	2019	2018
	US\$000	US\$000
Related party fees (other than Director's fees)	339	310
Purchases from (sales to) related parties:		
Monteagle Logistics Limited	2,455	2,368
Monteagle Logistics Limited	(20)	-

#### Related party fees (other than Directors' fees)

Mr. D.C. Marshall and Mr. E.J. Beale are Directors of City Group PLC, the Company Secretary, to which fees of US\$285,000 (2018 – US\$236,000) were paid. At the reporting date, US\$58,528 was due to City Group (2018 – US\$97,000). Fees are agreed at arm's length and settlement is due on receipt of invoice. Neither Mr D.C. Marshall nor Mr E.J. Beale receive any fees from City Group PLC.

Mr. R.C. Kerr is a consultant to the legal services practice of Maitland, to which fees of US\$626 were paid in the year (2018 – US\$521). At the reporting date, there were no balances due to or from Maitland (2018 – nil). Fees are agreed at arm's length and settlement is due on receipt of invoice.

Mr. B.C.B. Newman, Mr. D.J. Douglas and Mr. M.A. Pesco are directors of IQ-EQ, to which fees of US\$53,000 were paid for the year (paid in 2018 - US\$76,000). At the reporting date, there were no balances due to IQ-EQ (2018 – US\$76,000). Fees are agreed at arm's length and settlement is within 30 days of invoice.

Other than as disclosed above, no Director, or party who is considered key management, was interested in any contract between the Directors, the Company and any other related party that subsisted during or at the end of the financial year. Related party transactions are identified and evaluated from a register regularly updated by the Company Secretary.

#### Amounts due to related parties

At the reporting date US\$224,000 was due to Monteagle Logistics Limited (2018 – US\$246,000)

#### Directors' fees

The key management team, including non-executive directors, of 6 (2018 – 6) consisting of Messrs A.R.C Barclay, E.J Beale, R.C. Kerr, D.C. Marshall, B.C.B. Newman and M.A. Pesco up to 16<sup>th</sup> August 2019 and Mr D.J. Douglas from 16<sup>th</sup> August 2019, received total remuneration for the year consisting of short term benefits of US\$571,000 (2018 – US\$598,000) as detailed in the Directors' Report on page 45.

The related companies within the Group are detailed in Note 29.

**Notes to the Consolidated Statements (continued)**  
**For the year ended 30<sup>th</sup> September 2019**

**25. GROUP COMMITMENTS AND CONTINGENT LIABILITIES**

At 30<sup>th</sup> September 2019, the Group had commitments as lessee under operating leases of US\$153,000 (2018 – US\$2,233,000) within one year, US\$208,000 (2018 – US\$7,210,000) in two to five years and US\$Nil (2018- US\$8,283,000) over five years

In February 2019, as a result of change in board composition, the Group lost control over Monteagle Logistics Limited, which is now recognised as an associate in the financial statements of the Group. The difference seen in the Group's commitments under operating leases from 2018 to 2019 is a result of this change.

The Group has no liabilities for pension funds as these are all contribution only schemes. The Group had no material commitments for authorised capital expenditure contracted (2018 – nil) at the reporting date. There are options to renew certain property leases, if agreed by both parties. These leases include rent escalation clauses.

**26. FINANCIAL INSTRUMENTS**

The categories of financial instruments used by the Company are:

	Fair Value Hierarchy Level	2019 US\$000	2018 US\$000
<b>Financial assets</b>			
<i>At fair value through Profit or Loss</i>			
Investments – listed	1	27,050	26,481
– treasury bills	1	2,000	2,000
– unlisted	3	2,612	2,811
Forward foreign exchange contracts in Other financial assets	2	335	695
<i>At amortised cost</i>			
Accounts receivable - current	n/a	22,907	67,528
Accrued operating lease income on properties in Other financial assets	n/a	327	274
Cash at bank in Cash and cash equivalents	n/a	22,222	18,453
Money market funds in Cash and cash equivalents	n/a	432	29
<b>Financial liabilities</b>			
<i>At amortised cost</i>			
Trade and other payables – current – in Current financial liabilities	n/a	22,501	59,930
– non-current	n/a	12,834	14,903
Bank overdrafts	n/a	6,637	12,571
Capitalised lease obligations in Other financial liabilities	n/a	-	89
<i>At fair value through Profit or Loss</i>			
Forward foreign exchange contracts in Other financial liabilities	2	<u>36</u>	<u>216</u>

The fair value of forward foreign exchange contracts is determined by market value quotes received from independent financial institutions.

The group recognises a loss allowance for expected credit losses on trade and other receivables which is measured at an amount equal to the lifetime expected credit losses.

The carrying value of bank loans payable in more than one year approximates to their fair values. This is due to the loans all attracting market related interest rates, and thus the effect of discounting (using a market rate interest rate) when applying the effective interest rate method would result in no real difference between the fair value determined and the carrying value of the bank loans.

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## 27. RISK MANAGEMENT

### **Credit risk management**

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. Concentrations of credit risk consist principally of trade receivables and temporary cash investments and the Group's maximum exposure is shown in note 17. All of the listed portfolio investments are in highly liquid stocks and there is no concentration of investment in any one company. Customers are subject to credit verification procedures and balances are monitored on an on-going basis. The ageing profile of trade receivables is shown in note 17 and indicates that the Group's risk exposure to bad debts is not material. Cash and cash equivalents represent surplus funds on current bank accounts. These funds are held by financial institutions of high quality and standing such as HSBC, Credit Suisse and First National Bank. At the year-end the Directors do not consider there to be any significant concentration of credit risk for which adequate provision has not been made.

### **Interest rate risk profile**

Exposure to interest rate risk arises in the normal course of the Group's business and applies mainly to cash deposits and financing. The Group's objective is to achieve the best rates available, adopting a policy of ensuring that its exposure to changes in interest rates on surplus funds is short-term. The principal rates on long term borrowings for the year were fixed at rates between 9.5% and 11.5% in South Africa, 3.75% in Europe and 3.66% in the United States (2018 – 9.45% to 12%, 3.55% and 3.66% respectively). The Group secures short-term finance at variable rates on the best commercial terms, in South Africa based on Prime Rate, which is 10% and in Europe at rates between 1.89% and 2.02% (2018 – 10% to 10.25% and 1.375% to 1.75% respectively).

There are no investments in fixed interest stock other than US\$2,000,000 in 7 day US Treasury Bills (2018 – US\$2,000,000) and the majority of the Company's investment portfolio consists of equity investments, for which an interest rate profile is not relevant. Interest is not charged on trade and other receivables nor incurred on trade and other payables.

It is impossible to predict how interest rates will vary in the future although in the near-term higher interest rates are likely. An interest rate change of 0.25% would be reasonably possible based on the fluctuation of South Africa's interest rate in the past (from 10.25% to 10%). Based on the variable – interest loans held in South Africa, a change of 0.25% would result in a change in the net charge and the profit or loss in the current year of approximately US\$4,300. Changes to equity and assets will be immaterial.

### **Currency risk**

The Group currency risk arising on the portion of purchases transacted in foreign currencies is monitored on an ongoing basis with forward cover being arranged for significant transactions. The contracts for forward cover provide an economic hedge but the Group is not able to apply hedge accounting.

The values of the Group interests in South Africa, detailed in note 3, are exposed to fluctuations in exchange rates. Exchange rates used in the preparation of these accounts are included in note 2(o). It is impossible to predict how exchange rates will vary in the future. A 14% movement in the exchange rates used to translate those interests in South Africa at the reporting date would be reasonably possible and would reduce or increase asset values and shareholders' funds by US\$2,137,000 and increase or decrease profit for the year by US\$1,076,000. This percentage has been calculated based on the exchange rate movement ZAR/USD during the Company's financial year.

### **Market pricing risk**

The Company maintains a spread of listed investments over various sectors and monitors performance continuously as described above. The majority of the financial assets (listed investments) are in companies with good market liquidity.

The fair values of the listed investments within the portfolios are determined by the prices available from the markets on which the investments involved are traded.

**27. RISK MANAGEMENT (continued)**

**Market pricing risk (continued)**

It is impossible to predict how markets will perform in the future. The Group have accepted the 3% movement in the S&P500 Index over the year as indication of possible fluctuation in the market value of the listed and unlisted investments.

A 3% decrease in the value of the listed investments detailed in note 15 would result in the fair values of investments decreasing by US\$812,000 and a corresponding decrease in profits recorded in other reserves. A 3% increase would, on the same basis, increase fair values and increase profits recorded in other reserves.

The value of unlisted investments is stated at fair value which is calculated based on the net asset value per share less a discount of 10% to take into account the illiquidity of this holding in a private company. A change in the discount to net asset value by 3% would change the fair value of the investment and the profit or loss of the Group by US\$78,000.

Reviews for indications of permanent impairment are carried out at least annually. The Directors believe that the exposure to market price risk from these activities is acceptable in the Company's circumstances.

**Liquidity risk**

The Group monitors the risk of a shortage of funds by considering the maturity of both its financial investments and financial assets and projected cash flows from operations. The objective is to maintain a balance between a continuity of funding and flexibility through the use of bank overdrafts, loans and inter-company funding.

	<b>2019</b>	2018
	<b>US\$000</b>	US\$000
Liabilities falling due:		
Bank overdrafts	<b>6,637</b>	12,571
Within twelve months – financial liabilities	<b>22,501</b>	59,930
– tax payable	<b>473</b>	498
Between one and five years – financial liabilities	<b>5,907</b>	1,743
Over five years- financial liabilities	<b>6,927</b>	13,160
	<b>42,445</b>	87,902

There are no material differences between the discounted liabilities and their contractual amounts and they are repayable over the above periods.

Adequate liquid assets and facilities are available to the Group to meet these liabilities as they fall due.

	<b>2019</b>	2018
	<b>US\$000</b>	US\$000
Liquid assets:		
Cash and cash equivalents	<b>22,654</b>	18,482
Listed investments	<b>27,050</b>	26,481
Treasury bills	<b>2,000</b>	2,000
Trade and other receivables	<b>23,569</b>	68,558
	<b>75,273</b>	115,521
Net Assets held for sale	<b>9,501</b>	-

## 28. INVESTMENT AND COMMERCIAL PROPERTY VALUATION INPUTS

There has been no change in the valuation techniques used during the year.

### *Investment properties*

The Group considers all of its investment properties to fall within Level 3 of the fair value hierarchy, as defined by IFRS13. All properties are completed investment properties, none are under development. The investment properties were valued at 30<sup>th</sup> September 2019; in the United States by D. Asaro, Senior Director of Cushman & Wakefield, in San Diego; and in South Africa by Tim Moulder FRICS FIV (SA) of Mills Fitchet Magnus Penny & Wolffs a member of the C.B. Ellis Affiliate Network and A Ridsdale BA of Ridsdale and associates Estates Agents. All are suitably independent valuers, experienced in the location and category of the property being valued, at current market values, on an open market basis. In determining the valuations as at 30<sup>th</sup> September, 2019, different approaches were used. The approach used in the properties in USA is based on the projected net annual income after deducting a 10% vacancy and reserve factor. The adjusted net operating income is then capitalised at a capital rate of 7%. Two different approaches were used for the properties in South Africa. One has been to project income for a 5 or 10-year period (based on contractual arrangements) from which forecasted expenses are deducted to arrive at the net annual income which is discounted to present value. The sum of these discounted yearly values is added to the residual value which is the anticipated selling price of the property at commencement of year 6 or 11 also discounted to present value. The other approach used has been to estimate the gross annual income taking into account the lease agreement, to deduct normal expenses and then capitalise the net income at an appropriate investment rate. In determining the valuations, the valuer referred to current market conditions, recent sales and rental transactions of similar properties in similar geographical locations. In estimating the fair value of the properties, the highest and best use of the property is their current use.

### *Commercial properties*

The Group considers all of its commercial properties to fall within Level 3 of the fair value hierarchy. The valuations are based on various unobservable inputs, including older evidence and recent sales of similar properties. The commercial properties were valued on 30<sup>th</sup> September 2019 by independent valuers Mark Ledger and Tim Moulder FRICS FIV (SA) with Mills Fitchet Magnus Penny & Wolffs. Both are suitably independent valuers, experienced in the location and category of the property being valued, at current market values, on an open market basis. The sensitivity of these valuations is dependent on fluctuations in the availability of similar properties at the point of valuation and changes in the specific inputs are detailed below. In determining the valuations, the valuer referred to current market conditions, recent sales and rental transactions of similar properties in similar geographical locations. In estimating the fair value of the properties, the highest and best use of the property is their current use.

Any assumptions made by the valuer are reviewed by the board for their reasonableness. The principal assumptions are:

Description	Unobservable input rates	Range of inputs (probability weighted average)		Effect on fair value of an increase in the unobservable input rate
		2019	2018	
a) South Africa				
Investment properties	Discount %	16.0	16.6	Decrease
	Reversionary capitalisation %	10.0	11.0	Decrease
	Capitalisation %	10.1	10.3	Decrease
	Expense growth %	7.0	8.0	Decrease
	Rental growth %	6.0	7.0	Increase
Commercial properties	Net rent (USD)	3.3	3.2	Increase
	Capitalisation rate %	8.8	8.8	Decrease
	Open Market selling price (USD per square metre)	645	689	Increase
b) United States				
Investment Properties	Vacancy rate %	10.0	10.0	Decrease
	Capitalisation rate %	7.0	6.5	Decrease

## 29. SUBSIDIARIES

The following companies, which are the principal active subsidiaries of Marshall Monteagle PLC, have been included in the Consolidated Financial Statements of the Group, being those companies in which the Group, directly or indirectly, has an interest and is able to exercise control over the operations. These entities have year ends coterminous with that of the Company. The percentage of voting rights held is the same as the ownership percentage.

### **Principal activity – Import and distribution companies**

*Wholly owned*

<b>Europe</b>	Monteagle International Limited Monteagle International (UK) Limited High Altitude Coffee Company Limited
<b>South Africa</b>	Monteagle Consumer Group Limited Global Coffee Exports Limited
<b>Switzerland</b>	Monteagle International AG
<i>Owned 50.1%</i>	
<b>South Africa</b>	L&G Tool and Machinery Distributors Limited Monteagle Africa Limited

### **Principal activity – Property holding companies**

*Wholly owned*

<b>South Africa</b>	Monteagle Property Holdings Limited
<b>United States</b>	Monteagle Inc

### **Principal activity – Investment holding and intermediate Group holding companies**

*Wholly owned*

<b>Europe</b>	Monteagle Merchant Group Limited
<b>South Africa</b>	Monteagle Merchant Group South Holdings Limited Monteagle Merchant Group South Holdings 2 Limited

### 30. INTERNATIONAL FINANCIAL REPORTING STANDARDS

#### a) Standards and Interpretations effective since 1<sup>st</sup> October 2018

The following new and revised standards were adopted in these financial statements. The impact of the adoption of IFRS 9 and IFRS 15 is set out in note 2 (a/f).

The impact of the rest of the standards was not significant.

IFRS 9 Financial Instruments – New standard

IFRS 15 Revenue from Contracts with Customers – New standard

IFRIC 22 Foreign Currency Transactions and Advance Consideration – Technical changes

IAS 28 Investments in Associates and Joint Ventures – Annual improvements

IAS 40 Investment Property – Technical changes

#### b) Standards in issue, not yet effective

At the date of issue of these financial statements, the following Standards and Interpretations, which may have impact on the financial statements, were in issue, but not yet effective.

IFRS/ IFRIC/ IAS	Title	Effective for annual periods beginning on or after
IFRS 3	Business Combinations – Annual improvements	1 January 2019
IFRS 3	Business Combinations – Technical changes	1 January 2020
IFRS 9	Financial Instruments – Technical changes	1 January 2019
IFRS 16	Leases – New standard	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments – Technical changes	1 January 2019
IAS 1	Presentation of Financial Statements – Technical changes	1 January 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors – Technical changes	1 January 2020
IAS 12	Income Taxes – Annual improvements	1 January 2019
IAS 23	Borrowing Costs – Annual improvements	1 January 2019
IAS 28	Investments in Associates and Joint Ventures – Technical changes	1 January 2019

The Directors have considered the impact of the adoption of IFRS 16 and have determined that it will impact both the measurement and disclosures of leases of the Group in future periods as set out in note 2. The impact of other standards is not expected to be material.

### 31. EVENTS AFTER THE REPORTING DATE

The Directors have paid a final dividend of US\$1.9 cents, (2018 – US\$1.9 cents) making a total of US\$3.8 cents (2018 – US\$3.8 cents) for the year. Details and salient dates of the dividend were published on 23<sup>rd</sup> December 2019.

During the financial year, the directors took a decision to sell the Group's 50.1% shareholding in Monteagle Africa Limited. Contracts for the sale were exchanged on 3<sup>rd</sup> October 2019 and completion has been delayed pending Competition Commission clearance which is expected in February 2020. Sale proceeds before tax of approximately ZAR150,000,000 (approximately US\$10,000,000, subject to exchange rate fluctuations) are expected on completion.

During the year, certain companies within the Group commenced legal proceedings against an ex-employee. It is too early to quantify any compensation that will be due from the individual or the amount of business that has been lost due to the case.

# Directors' Report

## For the year ended 30<sup>th</sup> September 2019

The Directors submit their report for the year ended 30<sup>th</sup> September 2019

### PRINCIPAL ACTIVITIES

The Company is incorporated as a public limited company in Jersey, Channel Islands. Its activities in Jersey comprise the central supervision and control of the Group's investments in its operating subsidiaries and the supervision of a general investment portfolio. The Company's shares are listed on the JSE Limited.

The Group owns a commercial property in the United States of America. In South Africa, the Group owns and manages multi-tenanted rent producing properties. In South Africa, Europe and the Middle East it operates trading businesses involved in the importation and distribution of hand tools, machinery and non-perishable food products, coffee roasting, importing and exporting and trading in metals and minerals.

### OPERATING REVIEW

The Group profit on continuing and discontinued operations, after tax and non-controlling interests, was US\$7,730,000 compared to US\$9,723,000 for the previous year after restatement for the first time application of IFRS9. Earnings per share were US\$ 21.6 cents (2018 Restated for IFRS 9 – US\$27.1 cents). A detailed review of the Group's operations is set out in the Business Review on pages 6 and 7. A detailed analysis of the Group's operations is set out in note 3 on pages 19 to 21.

### DIVIDENDS

An interim dividend of US\$1.9 cents (2018 – US\$1.9 cents) was declared payable on 28<sup>th</sup> June 2019. A second interim (final) dividend of US\$1.9 cents per share for the year ended 30<sup>th</sup> September 2019 (2018 – US\$1.9 cents) was paid on 17<sup>th</sup> January 2020 to those shareholders on the register at the close of business on 10<sup>th</sup> January 2020.

### DIRECTORS

A list of the Directors of the Company is shown on page 2. After ten years as a non-executive director, Mr M.A. Pesco retired from the Board on 16<sup>th</sup> August 2019. Mr M.A. Pesco made a valuable contribution to the Company, providing good counsel to the Company for many years. In accordance with the Board's appointment and diversity policies as well as Board succession planning, the Company took steps to identify suitable candidates prior to Mr M.A. Pesco's departure, culminating in the appointment of Mr D.J. Douglas on 16<sup>th</sup> August 2019. Mr D.J. Douglas, a chartered accountant, is a director of IQ-EQ where he is responsible for overseeing day to day management and leadership within client services. He joined IQ-EQ in 2004 and has held a number of senior roles within the firm. With the appointment of Mr D.J. Douglas, the Board is satisfied that it has maintained a sufficient spread of skills, experience and support within the Board.

In accordance with the Company's Articles of Association, Mr. B.C.B. Newman and Mr. D.J. Douglas retire and, being eligible, offer themselves for re-election at the Annual General Meeting.

The interest in the shares of the Company of the Directors who held office during the year were as follows:

	30 <sup>th</sup> September 2019		30 <sup>th</sup> September 2018	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
A.R.C. Barclay	-	-	-	-
D.C. Marshall #	-	17,430,846	-	17,430,846
E.J. Beale	-	-	-	-
R.C. Kerr	20,000	-	20,000	-
D.J. Douglas	-	-	-	-
B.C.B. Newman	-	-	-	-
M.A. Pesco	-	-	-	-

# These non-beneficial holdings arise, wholly or partly, because the individual concerned was also a director or trustee of entities that hold shares in the Company.

## DIRECTORS (continued)

Since the reporting date and at the date of this report there have been no changes in the above holdings.

The appointment of each Director is subject to terms and conditions set out in letters of appointment.

The remuneration paid to, or receivable by, the Directors for the year and the previous year, is as follows: -

		Parent Company		2019	2018
		Director's fee	Other	Total	Total
		US\$000	US\$000	US\$000	US\$000
A.R.C. Barclay	<i>Non-executive</i>	50	-	50	50
D.C. Marshall	<i>Executive</i>	41	217	258	259
E.J. Beale	<i>Executive</i>	140	-	140	166
R.C. Kerr	<i>Non-executive</i>	41	-	41	41
D.J. Douglas	<i>Non-executive</i>	5	-	5	-
B.C.B. Newman	<i>Non-executive</i>	41	-	41	41
M.A. Pesco	<i>Non-executive</i>	36	-	36	41
Total		<u>354</u>	<u>217</u>	<u>571</u>	<u>598</u>

No other payments or benefits were paid to, or receivable by, the Directors. All fees paid to companies with which any of the Directors are connected are disclosed in note 24 on page 37.

## COMPANY SECRETARY

In accordance with the JSE Listings Requirements, the Board has conducted an annual assessment through a review of the services provided, and the individuals providing those services, to satisfy itself (i) on the competence, qualifications and experience of City Group PLC, the Company Secretary; and (ii) that there is an arm's length relationship between the Board and the Company Secretary and that the Company Secretary is not a director. City Group PLC and the Company have Directors in common, as set out in note 24 to these accounts. The Board is satisfied that any potential conflict can be managed.

## SUBSTANTIAL INTERESTS

At the date of this report, the following holdings represented 5% and over of the issued share capital of the Company:

	Shares	%
Lynchwood Nominees Limited	21,480,508	59.9
Corwil Investments Holdings (Proprietary) Limited	2,056,724	5.7
Mr. J.P. Lobbenberg	1,812,452	5.1

The Company has not been notified of any other shareholdings that exceeded the threshold of 5%, in the capital of the Company. There is no ultimate controlling party.

## ANALYSIS OF SHAREHOLDINGS

Details of the Directors' interests can be found on page 44. At the date of this report, the disclosure of public and non-public holdings was as follows:

	Shareholders	Shares	%
Non-public shareholdings	4	22,292,070	62.2
Public shareholdings	830	13,565,442	37.8
	<u>834</u>	<u>35,857,512</u>	<u>100.0</u>

## SHARE CAPITAL

There have been no changes in the issued share capital during the year and the Company does not have a share incentive scheme. There were no repurchases of the Company's shares during the period under review.

There were no issues of shares for cash during the year under review. The Board is putting a Special Resolution (resolution number 8) to its shareholders at the forthcoming Annual General Meeting which will grant the Company a general authority for the repurchase by the Company, or any of its subsidiaries, of shares issued by the Company. If the resolution is passed, this authority will be valid until the earlier of the next Annual General Meeting of the Company or the variation or revocation of the general authority by special resolution at any subsequent general meeting of the Company, provided that the general authority shall not exceed beyond fifteen months from the date of this Annual General Meeting. The effect of any repurchases under the special resolution will be to reduce the number of shares in issue. In terms of the JSE Listings Requirements any general repurchase by the Company must, inter alia, be limited to a maximum of 20% of the Company's issued share capital in any one financial year of that class at the time the authority is granted.

In accordance with JSE Listings Requirements, the Directors state that:

- The intention of the Directors is to utilise the general authority to repurchase shares in the Company if at some future date the cash resources of the Company are in excess of its requirements, or there are other good grounds for doing so. In this regard the Directors will take account of, inter alia, an appropriate capital structure for the Company, the long-term cash needs of the Company and the interests of the Company;
- In determining the method by which the Company intends to repurchase its shares, the maximum number of shares to be repurchased, and the date on which such repurchase will take place, the Directors of the Company will only make the repurchase if they are of the opinion that:
  - the Company and its subsidiaries will, after the repurchase of the shares, be able to pay their debts as they become due in the ordinary course of business for the next twelve months;
  - the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with IFRS and recognised and measured in accordance with the accounting policies used in the latest audited financial statements will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the next twelve months after the date of this notice of the Annual General Meeting;
  - the issued share capital and reserves of the Company and its subsidiaries will, after the repurchase of the shares, be adequate for ordinary business purposes of the Company or any acquiring subsidiary for the next twelve months; and
  - the working capital available to the Company and its, or any acquiring subsidiaries, will, after the repurchase, be sufficient for ordinary business requirements for the next twelve months.

The JSE Listings Requirements require the following disclosure, some of which is already stated elsewhere in this annual report to which the notice of Annual General Meeting forms part:

- general information in respect of Directors and management (page 2), major shareholders (page 45), Directors' interests in securities (page 44) and the share capital of the Company (page 46);
- there has been no material change to the financial or trading position of the Company since the signature of the audit report and up to the date of the notice of Annual General Meeting;
- the Company is not involved in any legal or arbitration proceedings, nor are any proceedings pending or threatened of which the Company is aware that may have, or have had, in the previous 12 months, a material effect on the Group's financial position; and
- the Directors, whose names are given on page 2 of the annual report to which the notice is attached, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts that have been made, and that the notice contains all the information required by law and the JSE Listings Requirements.

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**AUDITOR**

A resolution to re-appoint Saffery Champness GAT LLP as Auditor will be proposed at the Annual General Meeting in accordance with Section 113(3) of the Companies (Jersey) Law 1991.

By order of the Board,

24<sup>th</sup> January 2020

**CITY GROUP PLC**  
*Company Secretary*

## Corporate Governance and Directors' Responsibilities

The Board recognises that good corporate governance facilitates effective leadership and long-term success. The Board is committed to the application of corporate governance best practices and it subscribes to the values of good corporate governance as set out in The King IV Report on Corporate Governance for South Africa, 2018 ("King IV").

Having reviewed the Group's compliance with the requirements of King IV, the Board is of the opinion that the Group complies with the principles embodied in King IV. Where appropriate, given the nature of the Group and the financial and human resources currently available to the Group, King IV recommended practices are followed.

Mr. A.R.C. Barclay is the non-executive Chairman of the Company. The other non-executive Directors are Mr. R.C. Kerr, Mr. B.C.B. Newman and Mr. D.J. Douglas. Mr D.C. Marshall is the Chief Executive Officer of the Company and Mr E.J. Beale is the Finance Director.

The nomination of Directors is a matter for the entire Board and the Board as a whole oversees the recruitment process. There is, therefore, no nomination committee. When nominating new Directors, the Board is cognisant of its needs in terms of different skills, experience and diversity, in accordance with the Company's Board Appointment and Diversity policies. Due to the size of the Board, delegation of such matters is not deemed appropriate, however this decision is reviewed on an annual basis. The Board Appointment policy evidences a clear balance of power and authority at Board of Directors' level, to ensure that no one Director has unfettered powers of decision-making.

Directors are appointed through a formal and transparent process, which includes the identification of suitable candidates by the Board and performance and background checks being undertaken prior to each nomination. Curriculum vitae are obtained and circulated to all Board members. Interviews are conducted with potential candidates.

The Board will continue with proactive management of talent and development of new skills to respond to changing market needs. At every Annual General Meeting one third of the Directors, or if their number is not three or a multiple of three, the number nearest to one third are required to retire from office; but if any Director has at the start of the Annual General Meeting been in office for three years or more since their last appointment or re-appointment, they are required to retire at that Annual General Meeting. By following such practices, the process to nominate, elect and appoint members to the Board results in a Board fully equipped to discharge its responsibilities.

Board performance evaluation is a formal process that is internally facilitated with each board member completing a performance evaluation questionnaire each year. The Company Secretary oversees the evaluation process and the Board is satisfied that the evaluation process improves its performance and effectiveness. Through the Company's performance evaluation practices, the Board is able to evaluate and evolve its performance to ensure that it remains effective.

The Company is satisfied that its Board composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

The Board met on eight occasions during the year under review and attendance at those meetings is tabled below:

Director	Possible attendance	Attended
A.R.C. Barclay	8	8
D.C. Marshall	8	8
E.J. Beale	8	7
R.C. Kerr	8	8
B.C.B. Newman	8	8
M.A. Pesco	8	5
D.J. Douglas	0	0

Mr M.A. Pesco retired from the Board on 16<sup>th</sup> August 2019.

Mr D.J. Douglas was appointed to the Board on 16<sup>th</sup> August 2019.

Appropriate reporting lines and delegations of authorities are in place between the Board and management. Formal delegations of authority have been made pursuant to the charter documents for the Board and its committees. The Company has Executive Directors that serve as the chief link between management and the Board. Each operational subsidiary is responsible for resourcing its key management functions, with the relevant Executive Directors providing oversight and guidance. Such practices allow the Group to resource positions and delegate responsibilities effectively whilst retaining the Group's decentralised structure.

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Group strategy is prepared by the Board with input from executive management and is reviewed by the Board on a regular basis. The Group's core purpose is to maximise returns for its shareholders through sustainable means, whilst being mindful of the interests and expectations of stakeholders. The Board has oversight of each trading subsidiary's performance, further safeguarding the Group's general viability. Furthermore, prior approval from Group management is required before any significant changes are made to a subsidiary's trading operations, further confirming the Board's oversight and governance of the Group.

The Board reviews its charter documents annually and is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period. The Board oversees the management and governance of the Group, providing effective, entrepreneurial and prudent management that can deliver the long-term success of the Group.

The Board encourages proactive engagement with stakeholders, including engagement at the Annual General Meeting of the Company. The Company Secretary also has a dedicated email address for stakeholders to engage with the Company and responses to stakeholder queries are provided in a timely manner. Due to the composition of the Company's stakeholder base, stakeholder relations are managed without recourse to formal policies and procedures.

The Company's stakeholders are kept fully informed with regards to the Group's performance and are able to assess the Group's prospects. Reports, policies and financial information published by the Company are uploaded to the Company Secretary's website for consideration by its stakeholders.

The Board as a whole has a working understanding of the effect of applicable laws, rules, codes and standards on the Group and its business. However, the diversity of Group operations means that each individual Director does not have a working understanding of every applicable regulation. Operating subsidiaries are responsible for the implementation and execution of their own compliance management. Material compliance matters are kept under review by subsidiary company management and reported to the Board.

The Board meets regularly and through its executive Directors retains full and effective control over the Group. Directors undertake individual continuing professional development programmes to remain up to date in their areas of expertise and annual formal evaluations of the performance of the Board and its committees ensure effective leadership. By monitoring effectiveness through annual reviews and questionnaires, the Board ensures that it is able to lead effectively.

Ethics permeates everything that an organisation and its employees do and the Board is committed to ethical leadership. Due to the size, decentralised nature and entrepreneurial management style of the Group, each operating subsidiary is responsible for managing ethics within a framework set by the Board.

In accordance with King IV and the JSE Listings Requirements, the Board has allocated oversight of, and reporting on, social and ethical matters such as organisational ethics, corporate citizenship, sustainable development and stakeholder relationships to the Remuneration Committee. The Remuneration Committee met once in the financial year to discuss social and ethical matters and all members attended the meeting.

South African legislation requires South African companies to establish a social and ethics committee if it is desirable in the public interest, having regard to its annual turnover, the size of its workforce or the nature and extent of its activities. Monteagle Consumer Group Limited has a Social and Ethics committee for that company and its subsidiaries.

The responsibilities of the Remuneration Committee with regards to social and ethical matters are:

- To provide oversight of the Group's activities with regards to social and ethical matters, including corporate citizenship, organisational ethics, stakeholder relationships and sustainable development.
- To report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- To make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Board encourages ethical behaviour throughout the Group's operations which should ensure automatic compliance with sensible regulations.

Policies such as the Company's Board Appointment and Diversity policies and the implementation in respect thereof, provide an ethical approach to Board appointments and composition taking cognisance of the Board's needs in terms of gender, race, different backgrounds, skills, experience and other factors. Copies of the Company's policies are available on the Company Secretary's website: <http://www.city-group.com/marshall-monteaagle-plc/>

The Remuneration Committee will monitor and provide feedback on the social and ethics policies and activities reported to it by the Group's principal subsidiaries. These practices enable the Group to govern ethics in a way that supports the establishment of an ethical culture without disrupting the entrepreneurial nature of the Group.

Corporate citizenship issues are devolved to the management of the individual operating businesses of the Group, with the Board considering any matters regarding corporate citizenship that are material to the Group's affairs. Material matters relating to corporate citizenship are kept under review by subsidiary company management and reported to the Board.

Material risks are kept under review by subsidiary company management and reported to the Executive Directors. Details of principal operational risks that the Group is exposed to and how these risks are mitigated can be found on page 39. At least once a year the Audit Committee reviews the Company's risk management processes. By having oversight of the Group's material risks through subsidiary reporting, the Board is able to manage the Company's risk appetite effectively and in line with the Group's strategic objectives.

The decentralised structure and diverse nature of the Group makes common policies and centralised management of technology and information inappropriate. Technology and information matters are devolved to the management of the individual operating businesses within the Group. Material technology and information risks are kept under review by subsidiary company management and reported to the executive Directors. Technology and information risk management processes relating to financial reporting are reviewed by the Audit Committee at least once a year.

The Company's external auditor provides assurance on the summarised financial information. Such assurance arrangements are appropriate, based on the size and complexity of the Group. The Group does not have a separate internal audit function due to the decentralised structure of the Group and the diversity of operations. Each year, the Audit Committee reconsiders the need for an internal audit function.

### **Board committees:**

#### **Audit Committee**

The Audit Committee comprises three independent Non-Executive Directors, Mr. B.C.B. Newman (Chairman), Mr. R.C. Kerr, and Mr. D.J. Douglas. Mr. M.A. Pesco retired from the Audit Committee in August 2019. The Finance Director and the external auditor, who have unrestricted access to the Chairman of the Committee, attend by invitation and management or independent third parties are invited to attend as appropriate. The Committee is responsible for, inter alia, reviewing the interim results and annual financial statements and associated announcements as well as understanding management's accounting processes and policies and the external auditor's involvement in these processes.

The Audit Committee met three times in the financial year. All Committee members were present at each meeting.

The specific responsibilities of the Committee include:

**Internal control** - reviewing the adequacy and effectiveness of management information and internal controls of the Company to support the Board in the discharge of its responsibilities and provide for the maintenance of proper accounting records and the reliability of financial information. Such a system of control can provide only reasonable and not absolute assurance against material misstatement or loss. Procedures are established which are designed to provide an effective system of internal financial control including the segregation of duties and management authorisation and review. In addition, the Company safeguards its interests in the Group by appointing directors to the boards of the subsidiary and associated companies.

**Financial reporting** - reviewing the accounting policies adopted, and any changes made, and the measures introduced by management to enhance the accuracy and fair presentation of all matters proposed for inclusion in the annual accounts, and any other reports prepared with reference to the affairs of the Company for external distribution or publication, including those required by any regulatory or supervisory authority.

**External audit** – recommending the appointment of external auditors for approval by the shareholders, reviewing their performance and monitoring their independence. The Committee also sets the principles for recommending the use of external auditors for non-audit purposes.

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Internal Audit - The Group does not have a separate internal audit function due to the decentralised structure of the Group and diversity of operations, but the Committee exercises formal oversight through review of any matters brought to its attention by the Group auditor and others, and informal oversight by regular discussions with the Group Executive Directors, key management personnel of subsidiaries, and staff of City Group PLC. A director of the Company sits on the board of each operating subsidiary. The establishment of an internal audit function is considered annually.

Finance Director – evaluating the performance of the Finance Director during the year under review and providing feedback in this regard to the Board and the Finance Director.

Liquidity and solvency assessment – reviewing a liquidity and solvency test and considering all reasonable financial circumstances of the Company at the time. This will include considering whether the assets of the Company, as fairly valued, equal or exceed the liabilities of the Company, as fairly valued, and whether the Company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date on which the test is considered or, in the case of a distribution, 12 months following that distribution.

Sustainability reporting – this has been considered and due to the de-centralised nature of the Group, sustainability issues are devolved to the management of the individual operating businesses of the Group.

With regards to the above, the activities of the Committee included:

- review of accounting policies, significant estimates and of judgement and extent of disclosures in the accounts;
- review of the scope, independence and objectivity of the external auditor was reviewed;
- having taken into account ethical standards, the length of engagement and the relevant experience of the proposed replacement of the audit partner, the Committee approved the rotation of the audit partner from Jeremy Ellis to Jamie Cassell. In the Committee's opinion, the external audit firm, Saffery Champness GAT LLP and the replacement audit partner, Jamie Cassell, are independent of the Company and Saffery Champness GAT LLP has been proposed to the shareholders for approval to be re-appointed as the Company's auditor for the 2020 financial year.
- reviewing and approving the fees proposed by the external auditor;
- confirming that to the best of the Committee's knowledge and belief, the appointment of the external auditor complies with the Jersey and South African companies acts, as amended, and with all other legislation relating to the appointment of external auditors;
- receiving confirmation from the external auditor that paragraph 22.15(h) of the JSE Listing Requirements has been complied with;
- reviewing the nature and extent of non-audit services provided by the external auditor to ensure that the fees for such services do not become so significant as to call into question their independence;
- pre-approval of the nature and extent of non-audit services;
- confirming that nothing has come to the attention of the Committee to indicate that there has been a material breakdown in the systems of internal control during the year;
- the Committee is satisfied with the appropriateness of the expertise and experience of the Finance Director and his performance during the year;
- the Group's financial reporting procedures are appropriate and those procedures are operating; and
- at the date of this report, no complaints have been received relating to the accounting practices of the Company or to the content or auditing of the Company's financial statements, or to any related matter.

### **Risk Factors**

The Group is exposed to the following principal operational risks:

Reliance on key individuals - the Group's international trading operations, especially the smaller ones, are dependent on a limited number of key individuals. Should the Group lose their services for any reason, performance could be impacted in the short term. As the trading operations grow, the increasing size of their management teams reduces the dependence on key individuals.

Valuation of quoted investments - the Group has a substantial proportion of its net assets invested in global equities and while individual stock risk is diluted through the diversification in the portfolio, the Group is exposed to market risk which can lead to substantial co-ordinated reductions in the market values of the stocks in which the Group is invested. As a long-term investor with a liquid financial position the Group is able to ride out short term reductions of this nature. However, it remains exposed to long term reductions in market prices.

Property valuations - the Group owns a diversified portfolio of properties in South Africa and a multi-tenanted light industrial property in San Diego, California. The Group is exposed to risks resulting from major changes in property vacancy rates and valuations, including the risk that asset backing falls and is no longer sufficient to secure borrowing facilities. The Group as a whole remains lightly geared and regularly reviews the headroom between its borrowing levels and the value of properties used to secure such borrowings.

Exchange Rates - The Group remains exposed to exchange rate risks on the valuation of its stock market and property investments and the working capital of its international trading subsidiaries. This risk is reduced through diversification and borrowings denominated in foreign currencies.

Changes in regulatory environment - many of the Group's trading operations and a large number of its properties are based in South Africa and exchange controls apply in South Africa. There is a risk that future changes to South African exchange controls may restrict the extent to which these businesses can operate or may restrict the extent to which funds generated in South Africa may be remitted to Group companies based elsewhere. Other changes in regulations, such as tariffs and trade embargoes, and how they are applied, may have a material impact on the business environment and adversely affect the Group's operations or cash flow.

In addition, the Group's trading subsidiaries are exposed to a number of operational risks including consumer demand, commodity prices, reputation and data risks. Such risks are monitored, mitigated and controlled through tailored structures and processes at the individual operating subsidiary level. The exposure of the Group is further mitigated by its investment diversification.

### **Remuneration Committee**

The Remuneration Committee comprises three Non-Executive Directors, Mr. R.C. Kerr (Chairman), Mr. B.C.B. Newman and Mr. D.J. Douglas. M.A. Pesco retired from the Committee in August 2019. The Committee may invite at its discretion such other Directors and external advisers as it deems appropriate. The Committee determines and agrees with the Board the framework or broad policy for the remuneration of the Company's Chairman, Chief Executive, Executive Directors, Company Secretary and such other members of the executive management as it is designated to consider from time to time. The remuneration of Non-Executive Directors is a matter for the Chairman and executive members of the Board. No Director or manager is involved in any decisions as to their own remuneration. The Committee met once during the year and all members attended the meeting.

### **Remuneration Policy Report**

The Remuneration Policy Report and the Implementation Report have been prepared in accordance with the JSE Listings Requirements. Separate resolutions will be proposed at the Annual General Meeting of the Company to approve the Company's Remuneration Policy and Implementation Report.

The Remuneration Policy aims to ensure that the Group remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. The objectives of the policy are to:

1. Attract, motivate, reward and retain human capital;
2. Promote the achievement of strategic objectives within the organisation's risk appetite;
3. Promote positive outcomes; and
4. Promote an ethical culture and responsible corporate citizenship.

Through the Policy, members of the board are provided with the appropriate incentives to encourage enhanced performance and are, in a reasonable manner, rewarded for their individual contributions to the success of the company. The Policy ensures that remuneration of executive directors is fair and responsible in the context of overall employee remuneration in the organisation by setting base pay taking into account what is considered market standard as well as linking personal remuneration to company performance.

At present, the Policy is to remunerate directors by way of a fixed fee for their services. Fees are set at a level to attract, motivate and retain talented individuals. The maximum quantum payable to directors is approved by the Board following recommendations from the Remuneration Committee. Increases to such fees will not be higher than inflation unless this can be justified having regard to the performance of the Company or additional responsibilities taken on by directors.

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Executive directors are remunerated with an annual salary and variable payments, which are reviewed annually. The annual salary reflects the individual's skills, responsibilities and experience and supports the retention of executive directors of the calibre required to deliver the Company's strategic objectives. Variable payments incentivise executive directors to achieve key strategic outcomes on an annual basis. The mix between fixed and variable pay will be adjusted to reflect the personalities of the individual executives. The Board oversees the implementation and execution of the Policy, and ensures that the objectives of the Policy are achieved.

In the event that either the Policy or the Implementation Report, or both are voted against by shareholders exercising 25% or more of the voting rights exercised, the Company will include in its voting results announcement the following:

- i) An invitation to dissenting shareholders to engage with the Company; and
- ii) Details of the manner and timing of such engagement.

### **Implementation Report**

The purpose of the Implementation Report is to set out the actual payments made to Directors in the financial year being reported on. Details of the remuneration paid to, or receivable by each Board member, for the reporting period is shown on the Directors' Report on page 45.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Jersey company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991 and amendments thereto. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all reasonable steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

## GOING CONCERN

The Directors have established that there have been no events not in the ordinary course of business since the reporting date; all borrowing facilities are still in place; the substantial liquid resources held in the share portfolios are still available; and that there have been no major capital expenditure nor acquisitions since the reporting date. The Directors therefore believe that the going concern basis is appropriate for the Group.

# Independent Auditor's Report

## To the Shareholders of Marshall Monteagle PLC

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### Opinion

We have audited the consolidated financial statements of Marshall Monteagle PLC (the 'parent company') and its subsidiaries (together 'the Group') for the year ended 30 September 2019 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

In our opinion, the financial statements:

- give a true and fair view of the state of affairs of the Group as at 30 September 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs; and
- have been prepared in accordance with the requirements of The Companies (Jersey) Law, 1991.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the Directors have not disclosed in the consolidated financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the consolidated financial statements are authorised for issue.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Independent Auditor's Report** (continued)  
**To the Shareholders of Marshall Monteagle PLC**

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition</b></p> <p>Revenue is a material area of the consolidated financial statements and the recognition of revenue is considered to be a significant risk. Revenue includes consideration received for the sale of goods and rental income from properties and is a key factor in determining the performance of the Group. As a result, this could be subject to manipulation in order to enhance the performance of the Group. There is also a possibility of misstatement as a result of system or human error.</p> <p>The Group also adopted <i>IFRS 15 Revenue from Contracts with Customers</i> for the first time in this financial year. Following an assessment by the Group, they concluded that the transition to IFRS 15 did not result in any change to the timing of the revenue being recognised due to the nature of its contracts with customers. However, the change in accounting standard does result in an increased risk of material misstatement.</p> <p>As a result of our audit risk assessment, including our review of the business and control environment, we identified revenue recognition as a significant risk and a key audit matter and designed and implemented appropriate responses to address this.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Agreeing a sample of revenue transactions to supporting documentation.</li> <li>• Reviewing sales invoices, delivery notes and credit notes for cut-off issues.</li> <li>• Controls over the processing of revenue were reviewed and their implementation assessed.</li> <li>• Recalculation of rental revenue based on lease agreements.</li> <li>• Discussing the Group's IFRS 15 impact assessment with management and assessing the Group's income streams against the requirements of IFRS 15.</li> </ul> <p>We reviewed the accounting policies applied to revenue for compliance with IFRS.</p> <p>No material issues or misstatements were identified following the completion of these procedures which required reporting to those charged with governance.</p>

<p><b>Valuation of commercial and industrial property</b></p> <p>We reviewed the balances reported within the consolidated financial statements in respect of commercial and investment property and considered the nature and materiality of any such items.</p> <p>The commercial and investment properties are material balances in the Group and their valuation within the consolidated financial statements is subject to significant judgement and estimation, as they are reported at fair value. This presents a heightened risk of management override and misstatement due to error. As such, this is one of the main areas on which we focus our audit work.</p> <p>As a result of our audit risk assessment, including our review of the business and control environment, we identified the valuation of commercial and investment property as a significant risk and a key audit matter and designed and implemented responses to address this.</p>	<p>We reviewed the accounting policies applied to investment properties and property, plant &amp; equipment for compliance with IFRS.</p> <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining independent valuation reports for the properties and agreeing these to the valuations per the financial statements.</li> <li>• Reviewing accuracy and appropriateness of inputs used in valuations.</li> <li>• Reviewing the competency of the valuers in accordance with ISA 620.</li> </ul> <p>Where required, we made additional enquiries or performed additional audit work, such as physical verification and review of title deeds.</p> <p>We also reviewed the accounting policies applied to investment properties and property, plant &amp; equipment for compliance with IFRS.</p> <p>No material issues or misstatements were identified following the completion of these procedures which required reporting to those charged with governance.</p>
<p><b>Valuation of inventories</b></p> <p>We reviewed the balances reported within the consolidated financial statements in respect of inventories and considered the nature and materiality of any such items.</p> <p>This is a material area of the financial statements and their valuation is subject to significant judgement and estimation. As issues can arise in relation to obsolete inventory and cut-off, this was an area of focus when we reviewed the component auditor responses.</p> <p>As a result of our audit risk assessment, including our review of the business and control environment, we identified the valuation of inventories as a significant risk and a key audit matter and designed and implemented responses to address this.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Attending inventory counts and performing test counts.</li> <li>• Auditing the carrying value of items of inventory by comparison to invoices and selling prices.</li> <li>• Auditing the ageing of inventory held to determine whether any inventory was old or obsolete and, therefore, may have required impairment.</li> <li>• Reviewing the aged stock list and discussing old or potentially obsolete stock with management.</li> </ul> <p>We also reviewed the accounting policies applied to inventories for compliance with IFRS.</p> <p>No material issues or misstatements were identified following the completion of these procedures which required reporting to those charged with governance.</p>

**Independent Auditor's Report** (continued)  
**To the Shareholders of Marshall Monteagle PLC**

<p><b>Consolidation</b></p> <p>We considered the number of entities included within the Group and our historical assessments of the consolidation process.</p> <p>The Group is large and complex, with numerous entities operating in different industries over multiple jurisdictions. As such, there is an increased risk of error associated with the consolidation of the Group financial statements.</p> <p>As a result of our audit risk assessment, including our review of the business and control environment, we identified the consolidation as a significant risk and a key audit matter and designed and implemented responses to address this.</p>	<p>The audit work performed included, but was not limited to:</p> <ul style="list-style-type: none"> <li>• Reviewing the consolidation workbooks alongside the audited accounts of the subsidiaries to assess whether the subsidiary balances had been accurately included within the consolidation workbook.</li> <li>• Reviewing the intercompany reconciliation prepared by the Group to assess whether all such transactions or balances had been eliminated on consolidation.</li> <li>• Checking all other consolidation adjustments for reasonableness, accuracy and completeness.</li> <li>• Ensuring the completeness of Group financial statement disclosures by review of the subsidiary financial statement disclosures.</li> </ul> <p>We also reviewed the accounting policies applied to the consolidation process for compliance with IFRS.</p> <p>No material issues or misstatements were identified following the completion of these procedures. Some recommendations have been made to those charged with governance to improve the quality and effectiveness of the consolidation process.</p>
<p><b>Discontinued operations and classification of assets and liabilities as held for sale-</b></p> <p>We reviewed the balances reported in the consolidated financial statements in respect of the discontinued operations and assets/liabilities classified as held for sale.</p> <p>Judgement is involved in establishing whether to account for an operation as discontinued and the associated assets and liabilities as held for sale under IFRS. Furthermore, the results attributable to discontinued operations and the associated assets and liabilities are material to the Group.</p> <p>As a result of our audit risk assessment, including our review of the business and control environment, we identified the classification and disclosure of operations as discontinued and the associated asset and liability balances as held for sale as a significant risk of material misstatement. The risk is considered a key audit matter and responses to address this risk were designed and implemented.</p>	<p>The audit work performed included, but was not limited to:</p> <ul style="list-style-type: none"> <li>• Reviewing the classification requirements of IFRS 5 against the Group's circumstances and assessing management's judgements in relation to the classification.</li> <li>• Assessing the valuation of the assets and liabilities held for sale against the requirements of IFRS 5.</li> <li>• Reviewing and recalculating the disclosures included in the Group's financial statements for discontinued operations.</li> </ul> <p>We also reviewed the accounting policies applied to the discontinued operation and associated assets and liabilities held for sale for compliance with IFRS. No material issues or misstatements were identified following the completion of these procedures which required reporting to those charged with governance.</p>

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## **Our application of materiality**

The scope of our audit was influenced by our application of materiality. Our overall objective as auditor is to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement. Misstatements may arise due to fraud or error. Misstatements are considered material if, individually or in aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We determined a quantitative threshold for materiality using professional judgement in the context of our knowledge of the Group, including consideration of factors such as the growth in underlying values and the controls in place. This threshold is set out below. This, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements.

We set our overall consolidated financial statement materiality level at 1% of the Group's projected revenue, based on the interim consolidation to 31 March 2019, being \$4,350,000.

The above level was determined based on the revenue of the Group, as this is the key area of the consolidated financial statements in which the users of the financial statements will be interested and is also a generally accepted benchmark for entities of this nature.

## **An overview of the scope of our audit**

As part of our audit process, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. As noted above, materiality is determined as the level at which misstatements, either individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, through review of their design and implementation, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

As auditor of the Group, part of our audit planning included assessing the materiality of the components and identifying those for which we needed to send out Group Audit Instructions ('GAI') or specific letters to component auditors. These GAI and specific letters contained details of the audit procedures which we required the component auditors to complete on our behalf. The significance of a component was determined by a combination of factors, including materiality, by reference to turnover, net assets and profit before tax, and risk factors e.g. regulated business. This assessment was based on the transactions and balances per the interim consolidation to 31 March 2019. Specific letters were issued to component auditors in respect of subsidiaries which were not considered to be significant but contained individual material balances or transactions for which we required assurance. The information received in response to these GAI and specific letters was reviewed as part of our audit.

Our audit scope was influenced by our application of materiality as, in planning the audit; we made judgements about misstatements that would be considered material. These judgements provided a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing and extent of further audit procedures.

After completing our risk assessment we tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The objectives of our audit, in respect of fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Group and management.

# Independent Auditor's Report (continued)

## To the Shareholders of Marshall Monteagle PLC

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### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the consolidated financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where The Companies (Jersey) Law, 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Group;
- proper returns adequate for our audit have not been received from branches not visited by us;
- the consolidated financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

### Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 54, the Directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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**Other matters which we are required to address**

We were appointed by the Directors on 10 February 2011 to audit the consolidated financial statements for the year ending 30 September 2011. Our total uninterrupted period of engagement is 9 years, covering the period from 1 October 2010 to 30 September 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and we remain independent of the Group in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

**Use of our report**

This report is made solely to the parent company members, as a body, in accordance with Section 113(A) of The Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the members as a body, for our audit work, for this report, or for the opinions we have formed.

Jamie Cassell  
for and on behalf of Saffery Champness GAT LLP  
Chartered Accountants  
St. Sampson  
Guernsey  
24<sup>th</sup> January 2020

## Contact and Addresses

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### GROUP OFFICES

REGISTERED OFFICE  
2nd Floor, Gaspé House,  
St. Helier,  
66-72 Esplanade,  
Jersey, JE1 1GH

COMPANY SECRETARY  
City Group PLC  
1 Ely Place  
London, EC1N 6RY  
Tel: +44 20 7796 9060  
E-mail: [monteagle@city-group.com](mailto:monteagle@city-group.com)

SOUTH AFRICA  
11 Sunbury Park, La Lucia Ridge Office Estate,  
La Lucia, 4051  
(PO Box 4126, The Square 4021)  
Tel: + 27 31 566 7600

### REGISTRARS

JERSEY  
Computershare Investor Services (Jersey) Limited  
Queensway House,  
Hilgrove Street,  
St. Helier,  
Jersey, JE1 1ES  
Tel: + 44 (0)1534 281 820

SOUTH AFRICA  
Computershare Investor Services (Proprietary) Limited  
15 Biermann Avenue  
Rosebank  
2196 South Africa  
(PO Box 61051) Marshalltown 2107  
Tel: +27 11 370 5000

### BANKERS

Credit Suisse (Switzerland) Ltd.  
Bahnhofstrasse 17  
6300 Zug  
Switzerland

First National Bank Limited  
Shop 116,  
1-3 Sunset Crescent  
Kwa Zulu Natal, 4320, South Africa

HSBC Bank Plc  
City of London Commercial Centre,  
28 Borough High Street,  
London, SE1 1YB

### INDEPENDENT AUDITOR

Saffery Champness GAT LLP  
PO Box 141  
La Tonnelle House,  
Les Banques,  
St. Sampson,  
Guernsey, GY1 3HS

### SPONSOR

Sasfin Capital  
(a member of the Sasfin Group)  
29 Scott Street,  
Johannesburg, 2090,  
South Africa

# Notice of Annual General Meeting

## Marshall Monteagle PLC

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**NOTICE is hereby given** that the Annual General Meeting of Marshall Monteagle PLC (the “**Company**”) will be held at its registered office at 2nd Floor, Gaspé House, 66-72 Esplanade, St Helier, Jersey, JE1 1GH on Friday, 15<sup>th</sup> May 2020 at 12 noon for the purpose set out below.

The minimum percentage of voting rights that is required for resolutions 1 to 6 (inclusive) to be passed is 50% plus one vote of all votes cast on each such resolution.

1. To receive and adopt the Report of the Directors and Audited Accounts for the year ended 30<sup>th</sup> September 2019.
2. To approve the Remuneration Policy in the form set out on pages 52 and 53 in the Company’s Annual Report and Accounts for the year ended 30<sup>th</sup> September 2019.
3. To approve the Remuneration Implementation Report in the form set out on pages 52 and 53 in the Company’s Annual Report and Accounts for the year ended 30<sup>th</sup> September 2019.
4. To re-elect Mr. B.C.B. Newman as a Director.
5. To re-elect Mr D.J. Douglas as a Director.
6. To re-appoint Saffery Champness GAT LLP as auditor and to authorise the Directors to determine their remuneration.

The minimum percentage of voting rights that is required for resolutions 7 - 8 to be passed is 75% plus one vote of all votes cast on the resolution.

7. In accordance with the Listings Requirements of JSE Limited, to grant the Directors of the Company general authority to issue ordinary shares of US\$0.25 each for cash as and when suitable situations arise, subject to the following limitations:
  - that this general authority shall be valid until the Company’s next Annual General Meeting, provided that it shall not extend beyond fifteen months from the date of the passing of this ordinary resolution (whichever period is shorter).
  - any such issue will only be made to public shareholders as defined in the JSE Listings Requirements and not to related parties;
  - the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
  - the general issue of shares for cash in the aggregate in any one financial year may not exceed 15% of the Company’s issued share capital of that class (being 5,378,627 ordinary shares at the date of the notice of Annual General Meeting).
  - any securities issued under this general authority during the period which the general authority is valid, must be deducted from the number of securities referred to above;
  - in the event of a sub-division or consolidation of issued shares during the period of the general authority, the existing authority must be adjusted accordingly to represent the same allocation ratio;
  - that in determining the price at which an issue of shares will be made in terms of this general authority, the maximum discount permitted will be 10% of the weighted average traded price of the shares in question, as determined over the 30 days prior to the date that the price of the issue is determined or agreed between the Company and the party subscribing for the securities; and
  - after the Company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the Company shall publish an announcement containing full details of the issue (including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 business days prior to the date that the price of the issue is agreed in writing between the issuer and the party subscribing for the shares and the effect of the issue on net asset value, net tangible asset value, earnings and headline earnings per share), or any other announcements that may be required in such regard in terms of the Listings Requirements of the JSE which may be applicable from time to time.

## Notice of Annual General Meeting

### Marshall Monteagle PLC

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8. To approve the repurchase by the Company or any of its subsidiaries from time to time of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the Directors of the Company (or the directors of the subsidiary company as the case may be) may from time to time determine, but subject to the Memorandum of Incorporation of the Company, the provisions of the Companies (Jersey) Law 1991 as amended, the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided that:
- any such repurchase of shares shall be affected through the order book operated by the JSE trading system or other manner approved by the JSE and done without prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
  - this general authority shall only be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond fifteen months from the date of passing of this special resolution;
  - a paid press announcement containing full details of the repurchases will be published as soon as the Company and/or its subsidiaries has/have repurchased shares constituting, on a cumulative basis, 3% of the number of shares of the class of shares repurchased in issue at the time of granting of this general authority, and each time the Company acquires a further 3% of such shares thereafter;
  - repurchases by the Company and its subsidiaries of shares in the share capital of the Company may not, in aggregate, exceed in any one financial year 20% (or 10% where such repurchases relate to the repurchase by a subsidiary) of the Company's issued share capital of the class of shares repurchased from the date of the grant of this general authority;
  - at any point in time, the Company will only appoint one agent to affect any repurchase(s) on its behalf;
  - in determining the price at which the Company's shares are repurchased by the Company or its subsidiaries in terms of this general authority, the maximum price at which such shares may be repurchased may not be greater than 10% above the weighted average of the market price at which such shares are traded on the JSE, as determined over the five business days immediately preceding the date of the repurchase of such shares by the Company or its subsidiaries;
  - The Directors resolve: that they authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group; and
  - The Company may not repurchase shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless it has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of such repurchase has been submitted to the JSE in writing. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE.

Further information about this resolution can be found in the Directors' Report on page 46.

Further information which is required in terms of the JSE Listings Requirements can be found as follows:

- Major shareholders – page 45 of the 2019 Annual Report and Accounts;
- Company's share capital – page 34 of the 2019 Annual Report and Accounts;
- Directors' responsibility statement – page 54 of the 2019 Annual Report and Accounts; and
- Material change – page 43 of the 2019 Annual Report and Accounts

## Notice of Annual General Meeting (continued)

### Marshall Montegale PLC

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Important dates to note:

Record date for receipt of notice purposes	Friday, 24 <sup>th</sup> January 2020
Integrated annual report posted on	Friday, 31 <sup>st</sup> January 2020
Last day to trade in order to be eligible to participate in and vote at the Annual General Meeting	Tuesday, 5 <sup>th</sup> May 2020
Record date for voting purposes "voting record date"	Friday, 8 <sup>th</sup> May 2020
Last day to lodge forms of proxy for the Annual General Meeting	Wednesday, 13 <sup>th</sup> May 2020
<b>Annual General Meeting at 12.00</b>	<b>Friday, 15<sup>th</sup> May 2020</b>
Results of Annual General Meeting released on SENS	Friday, 15 <sup>th</sup> May 2020

2<sup>nd</sup> Floor, Gaspe House,  
66-72 Esplanade,  
St. Helier, Jersey, JE1 1GH  
24<sup>th</sup> January 2020

By order of the Board,

**CITY GROUP PLC**  
*Company Secretary*

# Notice of Annual General Meeting

## Marshall Monteagle PLC

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### Notes:

- (i) A shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of the shareholder, and a proxy need not also be a shareholder. Any company being a shareholder of the Company may execute a proxy form under the hand of a duly authorised officer.
- (ii) A proxy form is enclosed with this document. If you are a certificated or own-name registered dematerialised shareholder, you are requested to complete and return the proxy form whether or not you intend to attend the Annual General Meeting.
- (iii) To be effective, the proxy form, duly completed, must arrive at the registered office of the Company not less than forty-eight hours before the time fixed for the meeting, being **12 noon on 13<sup>th</sup> May 2020**. Proxy forms sent to the office of a transfer agent for forwarding to the Company, at shareholders' risk, must be received by the transfer agent not less than forty-eight hours before the time fixed for the meeting, being **12 noon on 13<sup>th</sup> May 2020** at the following respective addresses:

Jersey/United Kingdom Shareholders: Computershare Investor Services (Jersey) Limited	South African Shareholders: Computershare Investor Services (Proprietary) Limited
Queensway House Hilgrove Street St. Helier, Jersey JE1 1ES	15 Biermann Avenue Rosebank 2196 South Africa (PO Box 61051) Marshalltown 2107

- (iv) Shareholders who have dematerialised their ordinary shares through a Central Securities Depository Participant ("CSDP") or broker, other than own-name registered dematerialised shareholders, and who wish to attend the Annual General Meeting must request their CSDP or broker to issue them with a Letter of Representation. Alternatively, dematerialised shareholders other than own name registered dematerialised shareholders, who wish to be represented, must provide their CSDP or broker with their voting instructions in terms of the custody agreement between them and their CSDP or broker in the manner and within the time-frame stipulated.
- (v) Any shareholder of the Company may authorise any person to act as its representative at the Annual General Meeting by a properly executed Letter of Representation to be produced at the Annual General Meeting.

### CHANGE OF ADDRESS

Shareholders are requested to advise the Jersey transfer agents, Computershare Investor Services (Jersey) Limited, or the South African transfer agents, Computershare Investor Services (Proprietary) Limited, of any change of address. The addresses of the registrars can be found on page 61.

# MARSHALL MONTEAGLE PLC

Registered Office: 2nd Floor, Gaspé House, 66-72 Esplanade, St Helier, Jersey, JE1 1GH  
(Registered no. 102785)  
(the "Company")

## Proxy Form for Annual General Meeting

Proxy form for the Annual General Meeting of shareholders to be held at the Company's registered office at 2nd Floor, Gaspé House, 66-72 Esplanade, St Helier, Jersey, JE1 1GH on Friday, 15<sup>th</sup> May 2020 at 12 noon and at any adjournment thereof.

The undersigned being the holder of \_\_\_\_\_ shares in the Company hereby appoints as their proxy at the above mentioned meeting \_\_\_\_\_ or the chairman of the meeting to whom they give all powers to represent them at the said meeting, to take part in all deliberations and to vote in their name according to the instructions set out below and to perform all acts necessary to give effect to the resolutions contained in the agenda as follows:-

No.	Resolution	For	Against	Abstention
1.	To receive and adopt the Report of the Directors and Audited Accounts for the year ended 30 <sup>th</sup> September 2019.			
2.	To approve the Remuneration Policy in the form set out in the Company's Annual Report and Accounts for the year ended 30 <sup>th</sup> September 2019.			
3.	To approve the Remuneration Implementation Report in the form set out in the Company's Annual Report and Accounts for the year ended 30 <sup>th</sup> September 2019.			
4.	To re-elect Mr. B.C.B. Newman as Director.			
5.	To re-elect Mr. D.J. Douglas as Director.			
6.	To re-appoint Saffery Champness GAT LLP as auditor and to authorise the Directors to determine their remuneration.			
7.	To grant the Directors general authority to issue shares for cash.			
8.	To authorise the Company or any of its subsidiaries general authority to acquire its own shares.			

Name of registered shareholder .....

Address .....

Signature .....

### Notes

- (i) A shareholder may appoint a proxy who need not be a shareholder of the Company. Any corporation being a shareholder of the Company may execute the proxy form under the hand of a duly authorised officer or attorney.
- (ii) To be effective, the proxy form, duly completed, must arrive at the registered office of the Company at 2nd Floor, Gaspé House, 66-72 Esplanade, St Helier, Jersey, JE1 1GH not less than forty-eight hours before the time fixed for the meeting being **12 noon on 13<sup>th</sup> May 2020**. Proxy forms sent to the office of a transfer agent for forwarding to the Company at shareholders' risk must be received by the transfer agent not less than forty-eight hours before the time fixed for the meeting being **12 noon on 13<sup>th</sup> May 2020**, at the following respective addresses:

Jersey/United Kingdom Shareholders: Computershare Investor Services (Jersey) Limited:	South African Shareholders: Computershare Investor Services (Proprietary) Limited
Queensway House Hilgrove Street St. Helier, Jersey JE1 1ES	15 Biermann Avenue Rosebank 2196 South Africa (PO Box 61051) Marshalltown 2107

- (iii) Shareholders should indicate with a cross (X) in the space provided above how they wish their votes to be cast. In the absence of specific instructions their proxy may vote as he thinks fit.

- (iv) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority is determined by the order in which the names stand in the Register of Members in respect of joint holdings.
- (v) Shareholders who have dematerialised their ordinary shares through a Central Securities Depository Participant (“**CSDP**”) or broker, other than own-name registered dematerialised shareholders, and who wish to attend the Annual General meeting must ask their CSDP or broker to issue them with a Letter of Representation. Alternatively, dematerialised shareholders other than own name registered dematerialised shareholders, who wish to be represented, must provide their CSDP or broker with their voting instructions in terms of the custody agreement between them and their CSDP or broker in the manner and within the time-frame stipulated.
- (vi) Any shareholder of the Company may authorise any person to act as its representative at the Annual General Meeting by a properly executed Letter of Representation to be produced at the Annual General Meeting.





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