

MARSHALL MONTEAGLE PLC REPORT & ACCOUNTS 2016



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PERFORMANCE



Marshall Monteagle PLC

Annual Report and Consolidated Financial Statements for the year ended 30th September 2016

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Marshall Monteagle PLC

(Incorporated in Jersey)

Registered No. 102785

DIRECTORS

E. J. BEALE, *Non-executive Chairman*

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 P.L.C., Western Selection P.L.C., 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 is the Chief Executive of City Group P.L.C., the Group's Company Secretary. Mr. Beale is providing temporary cover for the role of Finance Director, due to the death of the previous executive Financial Director.

D.C. MARSHALL, *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 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 P.L.C. and Western Selection P.L.C. and a non-executive director of Northbridge Industrial Services PLC.

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

Rory Kerr joined the Board in 2010. He resides in Dublin and is qualified as a South African attorney, notary and conveyancer, as well as an English and an Irish solicitor. Rory is a consultant to the legal services practice of Maitland and acts as legal counsel to a number of corporate structures and trusts. He also serves on the boards of some publicly held investment funds and serves as a trustee or protector of a number of family trusts.

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

Ben Newman, a Director of First Names (Jersey) Limited, was appointed to the Board in August 2014 and is Chairman of the Audit and Remuneration Committees. Ben joined First Names in 2008 and he has over 20 years' experience in private client fiduciary trust 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.

M.A. PESCO, *Non-executive Director* † *

Mark Pesco is the Managing Director of First Names (Jersey) Limited and has been a Director of the Company since 2009. He qualified as a Chartered Accountant with PricewaterhouseCoopers ("PwC") and was a director of PwC prior to joining First Names Jersey, initially as a Client Services Director. He has significant experience in the administration of trusts and corporate structures in both a personal capacity and as a Director of First Names (Jersey) Limited, as well as being a professional trustee to high net worth individuals and families across many different trusts with wide ranging commercial interests and with beneficiaries with different circumstances and requirements.

† Member of the Audit Committee

* Member of the Remuneration Committee

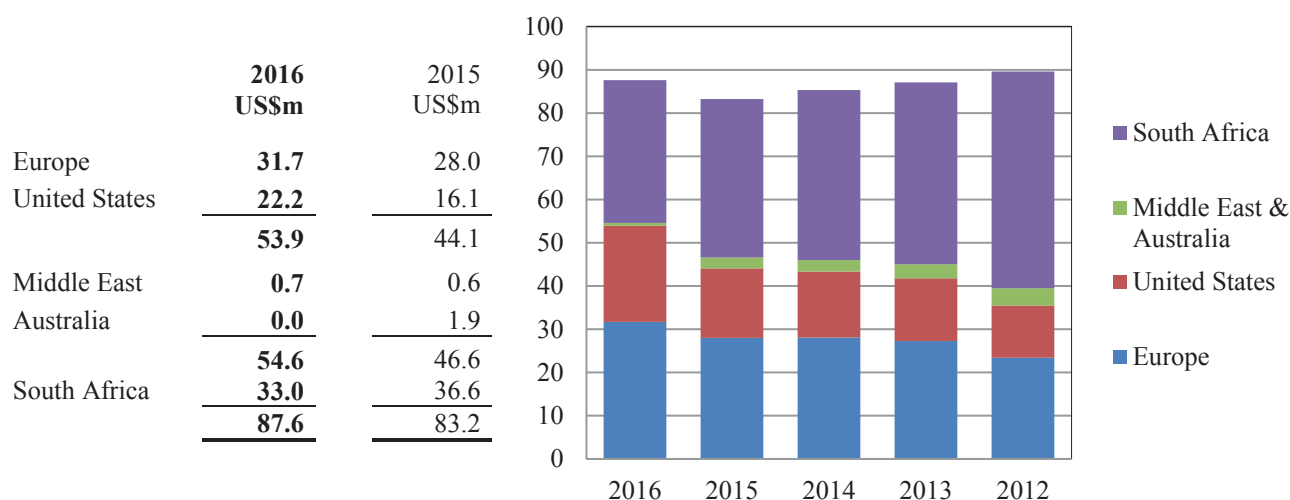
Results in Brief, Analysis of Assets and Financial Calendar

RESULTS IN BRIEF

	Group	
	2016	2015
	US\$000	US\$000
Continuing activities		
Revenue	241,933	259,137
Profit before tax and non-controlling interests	8,276	9,728
Profit after tax and non-controlling interests	3,153	4,819
	US\$ cents	US\$ cents
Basic earnings per share	8.8	13.4
Net assets per share attributable to shareholders	US\$1.87	US\$1.75
Interim dividend (paid in July 2016)	US\$1.80c	US\$1.80c
Second interim (final) dividend (paid on 23 rd January 2017)	US\$1.90c	US\$1.80c
	US\$3.70c	US\$3.60c

ANALYSIS OF ASSETS, NET OF CURRENT LIABILITIES

Before long term finance and non-controlling interests



	2016	2015	2014	2013	2012
	US\$m	US\$m	US\$m	US\$m	US\$m
Financed by:					
Shareholders' equity	67.2	62.9	65.0	65.3	64.9
Non-controlling interests	8.0	8.6	9.4	9.2	10.9
Long term finance	12.4	11.7	10.9	12.6	13.8
	87.6	83.2	85.3	87.1	89.6

FINANCIAL CALENDAR

Financial year-end 30th September 2016
Preliminary announcement of results 22nd December 2016

SHARE INFORMATION

The Company has 35,857,512 shares in issue which are listed on the JSE Limited ("JSE") and the share price at 24th January 2017, the latest practicable date, was ZAR 15.26.

Business Review

For the year ended 30th September 2016

Introduction

The Directors report satisfactory results of the Group for the year ended 30th September 2016, a year characterised by stiff currency headwinds and a challenging economic environment.

Marshall Monteagle is an investment company whose objective is to achieve capital growth internationally and pay a steadily progressive dividend over the long term from a diversified range of investments. The Group holds portfolios of leading investments in the U.S.A., U.K., Europe and the Far East as well as commercial properties in the U.S.A. and South Africa. The Group's import and distribution businesses operate internationally and in South Africa include interests in food processing and logistics.

Results of continuing operations

- Group revenue for the twelve months to 30th September 2016 decreased by 7% to US\$ 241,933,000 compared to US\$259,133,000. Had currencies remained constant sales would have increased by 11%.
- Group profit before tax decreased by 15% to US\$8,276,000 from US\$9,727,000. The decrease in margins on trading was partially offset by a gain of US\$2,300,000 on the disposal of investment property. Investment property revaluations were lower: US\$918,000 compared with US\$2,313,000 the previous year, reflecting the reduction in the investment property portfolio.
- Headline earnings per share decreased by 75% to 2.3 US cents (2015 – 9.3 US cents) as a result of the matters mentioned above.
- The Directors paid a second interim (final) dividend of 1.9 US cents on 23rd January 2017, (2015 – 1.8 US cents) making a total of 3.7 US cents (2015 – 3.6 US cents) for the year.
- Net assets attributable to shareholders increased by 7% from US\$62,864,000 (US\$1.75 per share) to US\$67,195,000 (US\$1.87 per share) at 30th September 2016, due to successful investment strategies and a comparable Rand exchange rate at the reporting dates. US\$1.32 of net assets per share – 71% (2015 – 57%) are held in Europe, U.S.A. and the Middle East. The remaining assets, equivalent to US\$0.55 per share – 29% (2015 – 43%) are held in South Africa.

Import and Distribution

Our import and distribution businesses in food and household consumer products continue to perform well in a constantly changing and challenging consumer environment. Multiple retailers continue to apply pressure on their international supplier base and we are constantly reviewing our supply-chain to ensure that we remain the most cost effective solution from factory to shelf. During the twelve month period under review we experienced extremely volatile currency movements and raw material pricing, but we are well positioned to navigate these exogenous factors. This division continues to provide procurement, supply chain and risk management services to multiple retailers, wholesalers and manufacturers in Southern and Central Africa, South America, the Middle East and China. We remain committed to working with suppliers of quality raw materials, skilled technologists and first world production facilities.

Our Metals and Minerals business continues to make extremely good progress and we are developing new partnerships with miners in Southern Africa and end users on an international basis. During the first half of the financial year under review we witnessed a total meltdown in commodity prices, specifically metals, minerals and energy products, placing these commodities at 16 year lows. As a result, even the most experienced global trading companies were totally overwhelmed by market forces beyond their control and many marginal players were forced out of business. A major global rebalancing of supply and demand has taken place during the second six months with commodity prices improving significantly over this period. This division provides fully integrated logistics, marketing, finance and shipping services to the Southern African mining industry and is placing significant focus on chrome and manganese. We are committed to partnering with producers who require a professional all-encompassing solution from collection ex mine through to delivery to end users on an international basis.

Our Tool & Machinery import and distribution business had a disappointing year mainly due to the restructure and sale of a non-profitable subsidiary. The South African market remains subdued and highly competitive. We do not expect to see an improvement in the short term. Following the restructuring of this business it is expected to return to profit in 2017. Our Australian business incurred a loss prior to sale of US\$304,000 (2015 full year – US\$434,000) and a loss of US\$474,000 was incurred on the sale.

Investment Portfolio

Our investment portfolios continue to perform well and now include our unlisted investment in Heartstone Inns Ltd following the capital reduction and distribution of these shares by our former associated Company, Halogen Holdings Plc. We continue to hold a concentrated list of quality listed international equities that we believe will outperform the market in the long term. These listed investments had a market value at the year-end of US\$23,169,000 (2015 – US\$20,042,000).

Property Portfolio

During 2016, we completed the sale of six properties in Durban, South Africa and the sale of five properties in Cape Town, South Africa for the gross amount of \$8,848,000. The gain on the sale amounted to \$2,300,000 and the net proceeds are earmarked for further property investment in the USA. There are no plans to dispose of any more investment properties, other than the sale mentioned below which completed after the year end. The Group's remaining commercial and light industrial property portfolio had a satisfactory year despite an ailing economy in South Africa. The secured loan on our property in San Diego has been repaid early and a new secured loan of US\$6,300,000 has been drawn down, at a reduced interest rate of 3.6% (previously 6%) fixed for 10 years.

Events after the Reporting Date

On 1st November, 2016, an investment property in Cape Town, South Africa was disposed of for \$1,208,000 which was settled in cash. The property was valued at \$1,189,000 and post-tax profit attributable to the investment property was \$46,000 for the year ended 30th September 2016.

Dividend

The Directors paid a second interim (final) dividend of 1.9 US cents, (2015 – 1.8 US cents) making a total of 3.7 US cents (2015 – 3.6 US cents) for the year. Details and salient dates of the dividend were published on 3rd January 2017.

Changes to the Board

It was with great sadness that we announced, on 23rd November 2016, the death of Mr. L.H. Marshall. He was a highly valued member of the management team who brought a wealth of experience, knowledge and common sense to the Group along with strong principles. The Chairman, Mr. E.J. Beale, will provide cover for the role of Finance Director for an interim period.

Group Personnel

These results could not have been achieved without the hard work of all our employees and the Board thank them most sincerely for their efforts and contribution during the year.

Prospects

We expect that the year ahead will bring further uncertainty to global markets and continuing commodity and exchange rate volatility. The Board remains comfortable that our strong balance sheet and cautious approach to business will enable us to continue to prosper.

E. J. Beale
Chairman

D.C. Marshall
Chief Executive

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 th September		2016	2015
	Notes	US\$000	US\$000
Profit or Loss on continuing operations			
Group revenue	3	241,933	259,133
Other income	4	5,588	3,646
		<u>247,521</u>	<u>262,779</u>
(Decrease)/increase in inventories of finished goods and work in progress		(4,220)	6,614
Purchases of finished goods, raw materials and consumables		(187,762)	(213,976)
Employee benefit expense		(14,259)	(15,055)
Depreciation and amortisation expense	11	(744)	(802)
Other expenses	5	(29,789)	(27,479)
Share of associated companies results	14	31	(16)
Finance expense		(2,502)	(2,338)
Profit before tax		<u>8,276</u>	<u>9,727</u>
Taxation	6	(2,992)	(2,627)
Profit for the year on continuing operations		<u>5,284</u>	<u>7,100</u>
Loss after tax on discontinued operations	7	(304)	(434)
Loss on disposal of discontinued operations	7	(474)	-
Profit for the year	3	<u>4,506</u>	<u>6,666</u>
<hr/>			
Profit attributable to owners of the parent		3,153	4,819
Profit attributable to non-controlling interests		1,353	1,847
<hr/>			
Basic and fully diluted earnings per share (US cents)	8	8.8c	13.4c
Basic and fully diluted earnings per share (US cents) – continuing operations	8	10.5c	14.0c
<hr/>			
Other Comprehensive (Expense)/Income :-			
Items that may be reclassified subsequently to profit or loss :-			
<i>Exchange differences on translation into US Dollars of the financial statements of foreign entities</i>	22	(369)	(7,441)
<i>Reclassification of previously recognised exchange losses on disposal of Australian operations</i>	22	157	-
<i>Unrealised gain on revaluation of available for sale investments</i>	15	3,185	(487)
<i>Less applicable tax</i>		(365)	73
<i>Reclassification of previously recognised profits on disposal of available for sale investments</i>	15	(40)	(149)
Total of items that may be reclassified		<u>2,568</u>	<u>(8,004)</u>
Items that will not be reclassified subsequently to profit or loss :-			
<i>Commercial property fair value adjustments</i>	11	236	363
<i>Less applicable tax</i>		(114)	(41)
<i>Share of associated company's other comprehensive income</i>		-	444
		<u>122</u>	<u>766</u>
Total Other Comprehensive Income/(Expense)		<u>2,690</u>	<u>(7,238)</u>
Total Comprehensive Income/(Expense)		<u>7,196</u>	<u>(572)</u>
<hr/>			
Total Comprehensive Income/(Expense) attributable to owners of the parent		5,618	(816)
Total Comprehensive Income attributable to non-controlling interests		1,578	244

The notes on pages 10 to 37 form part of these Financial Statements.

Consolidated Statement of Changes in Equity

	Ordinary share capital Note 20 US\$000	Share premium Note 21 US\$000	Other reserves Note 22 US\$000	Retained earnings US\$000	Total shareholders' interests US\$000	Non- controlling interests US\$000	Group total US\$000
Year ended 30th September 2015							
Profit after tax	-	-	4,879	(60)	4,819	1,847	6,666
Other Comprehensive Expense	-	-	(5,635)	-	(5,635)	(1,603)	(7,238)
Total Comprehensive (Expense)/Income	-	-	(756)	(60)	(816)	244	(572)
Transactions with shareholders							
Dividends paid	-	-	-	(1,291)	(1,291)	(1,116)	(2,407)
Balances at start of year	8,964	23,606	(105)	32,506	64,971	9,448	74,419
Balances at end of year	<u>8,964</u>	<u>23,606</u>	<u>(861)</u>	<u>31,155</u>	<u>62,864</u>	<u>8,576</u>	<u>71,440</u>
Year ended 30th September 2016							
Profit after tax	-	-	(4,323)	7,476	3,153	1,353	4,506
Other Comprehensive Income	-	-	2,465	-	2,465	225	2,690
Total Comprehensive (Expense)/Income	-	-	(1,858)	7,476	5,618	1,578	7,196
Transactions with shareholders							
Disposal of interests	-	-	-	-	-	(633)	(633)
Dividends paid (note 9)	-	-	-	(1,287)	(1,287)	(1,519)	(2,806)
Balances at start of year	8,964	23,606	(861)	31,155	62,864	8,576	71,440
Balances at end of year	<u>8,964</u>	<u>23,606</u>	<u>(2,719)</u>	<u>37,344</u>	<u>67,195</u>	<u>8,002</u>	<u>75,197</u>

The notes on pages 10 to 37 form part of these Financial Statements

Consolidated Statement of Financial Position

at 30 th September		2016	2015
	Notes	US\$000	US\$000
Assets			
Non-current assets			
Investment property	10	20,460	27,472
Property, plant and equipment	11	9,237	8,919
Goodwill	12	180	179
Intangible assets	13	523	521
Deferred taxation	19	1,559	1,140
Investment in associated companies	14	185	2,383
Investments	15	25,382	20,042
		<u>57,526</u>	<u>60,656</u>
Current assets			
Inventories	16	24,051	28,859
Accounts receivable	17a	41,697	38,277
Other financial assets	17b	326	551
Tax recoverable		359	158
Cash and bank balances	24	30,916	18,644
		<u>97,349</u>	<u>86,489</u>
Investment property held for sale	32	1,189	-
Total assets		<u>156,064</u>	<u>147,145</u>
Current liabilities			
Financial liabilities	18a	(59,546)	(55,514)
Other financial liabilities	18b	(848)	(293)
Financial liabilities secured on the investment property held for sale	18c & 32	(251)	-
Tax payable		(1,777)	(1,903)
Total current liabilities		<u>(62,422)</u>	<u>(57,710)</u>
Net current assets		<u>36,116</u>	<u>28,779</u>
Total assets less current liabilities		<u>93,642</u>	<u>89,435</u>
Non-current liabilities			
Financial Liabilities	18	(12,351)	(11,671)
Deferred taxation	19	(6,094)	(6,324)
Total non-current liabilities		<u>(18,445)</u>	<u>(17,995)</u>
		<u>75,197</u>	<u>71,440</u>
Capital and reserves			
Called up share capital	20	8,964	8,964
Share premium account	21	23,606	23,606
Other reserves	22	(2,719)	(861)
Retained earnings		37,344	31,155
Equity attributable to owners of the parent		<u>67,195</u>	<u>62,864</u>
Non-controlling interests		<u>8,002</u>	<u>8,576</u>
		<u>75,197</u>	<u>71,440</u>

Approved and authorised for issue by the Board on 24th January 2017

E.J. BEALE
Chairman

D.C. MARSHALL
Chief Executive

The notes on pages 10 to 37 form part of these Financial Statements.

Consolidated Statement of Cash Flow

for the year ended 30 th September	2016 US\$000	2015 US\$000
Profit for the year	4,506	6,666
Adjustments		
Taxation	2,992	2,627
Loss on disposal of discontinued operations	474	-
Depreciation	753	835
Share of associates	(31)	16
Finance expense	2,502	2,338
Other income	(5,588)	(3,646)
Other expense – fair value adjustments and losses on disposal	343	248
	<u>5,951</u>	<u>9,084</u>
Changes in working capital		
Decrease/(increase) in inventories	3,770	(5,800)
Decrease/(increase) in receivables	3,612	(6,976)
(Decrease)/increase in payables	(3,688)	11,606
Cash generated by operations	<u>9,645</u>	<u>7,914</u>
Finance expense	(2,502)	(2,338)
Taxation paid	(3,904)	(1,544)
Cash inflow from operating activities	<u>3,239</u>	<u>4,032</u>
Investment activities		
Purchase of and improvements to tangible non-current assets	(2,241)	(2,705)
Proceeds of disposal of tangible assets	9,737	84
Acquisition of investments	(613)	(2,088)
Proceeds of disposal of investments	446	1,165
Cashflow on disposal of discontinued operations	(62)	-
Dividends received	556	519
Interest received	1,004	712
Cash inflow/(outflow) from investment activities	<u>8,827</u>	<u>(2,313)</u>
Cash inflow before financing	<u>12,066</u>	<u>1,719</u>
Financing activities		
Drawdown of new long term loans	6,300	2,820
Repayment of long term loans	(5,098)	(1,667)
Dividends paid to Group shareholders	(1,287)	(1,291)
Dividends paid to non-controlling interests of subsidiaries	(1,518)	(1,116)
Cash outflow from financing activities	<u>(1,603)</u>	<u>(1,254)</u>
Increase in cash and cash equivalents	10,463	465
Cash and cash equivalents at 1 st October	10,068	10,340
Effect of foreign exchange rate changes	13	(737)
Cash and cash equivalents at 30th September	<u>20,544</u>	<u>10,068</u>

The notes on pages 10 to 37 form part of these Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended 30th September 2016

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 presented in United States dollars (US\$), which is the functional currency of the Group.

2. ACCOUNTING POLICIES

(a) Statement of compliance and 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 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.

At the date of authorisation of these Consolidated Financial Statements the IASB and the International Financial Reporting Interpretations Committee (IFRIC) have issued new standards and interpretations and amended or revised standards, as set out in note 31, which do not apply to the reporting period covered by these financial statements. 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 relevant revised standards will be adopted in the Group's financial statements for the year beginning 1st October 2016.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets 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.

(b) Estimates and Judgements

The Group is required, in conformity with IFRS, to make estimates and judgements concerning the future 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 most significant estimates and judgements relate to the valuation of properties (notes 29 and 2(i)); residual value and lives of tangible assets (notes 29 and 2(j)); valuation of unlisted investments (notes 15 and 2(k and t)); recognition of deferred tax assets based on recoverability (notes 19 and 2(o)); any possible impairment of intangible assets (notes 12, 13 and 2(l and m)); and whether there is sufficient control to account for a company as a subsidiary (note 30).

(c) Impairment

The carrying amounts of all of the Group's assets, other than goodwill and intangible assets (see accounting policies (l) and (m) below), are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, the carrying value is reduced to its estimated recoverable value and that impairment loss recognised immediately. The recoverable amount is the higher of its fair value less costs to sell or its value in use.

(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.

2. ACCOUNTING POLICIES (continued)

(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.

(f) Equity method

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.

The carrying value of equity-accounted investments is tested for impairment in accordance with the policies adopted by the Group.

(g) Revenue

Revenue comprises the fair value of consideration receivable for the sale of goods (such as tools and non-perishable foodstuffs) and rental income from properties.

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

Revenue from the sale of goods is recognised when: the significant risks and rewards of ownership have passed to the buyer, when it and the related costs can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Group.

(h) 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.

(i) Investment Properties

Investment properties are those held to earn rental income and/or for capital growth. These properties are initially recognised at cost and subsequently 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 and credited to Fair Value Reserve as non-distributable. These properties are not depreciated; all maintenance and running costs are charged in operating costs in the year that they occur.

(j) 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. Revaluation uplifts are applied first to reverse any depreciation charged, then to reverse any deficit previously written off in respect of that property. Any remaining surplus on revaluation is taken to Other Comprehensive Income. Decreases in value are taken to Other Comprehensive Income to the extent that they reverse uplifts taken to Other Comprehensive Income in prior years, and any excess is recognised as a loss in the period. 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. Residual values and 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%

Notes to the Consolidated Financial Statements (continued)

For the year ended 30th September 2016

2. ACCOUNTING POLICIES (continued)

(j) Property, plant and equipment (continued)

Plant and equipment, and vehicles are carried at cost less depreciation and impairment. Depreciation is calculated on the straight line method at the following annual rates:

Plant	10%
Equipment	20% - 50%
Vehicles	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.

(k) Investments

Listed shares held by the Group that are traded in an active market are classified as being “available for sale” and are stated at market bid prices (which are considered to be their fair value). Unlisted shares are stated at fair value.

Gains and losses on disposal of investments are included in Profit or Loss, and changes in fair value are included as Other Comprehensive Income.

On disposal, previously recognised fair value adjustments are re-classified from Other Comprehensive Income to Profit or Loss.

(l) Goodwill

Goodwill is recognised on the acquisition of an enterprise and is initially measured at cost and subsequently carried at cost less any impairment losses and undergoes an impairment review annually. If there is an indication of impairment then an impairment test is performed.

(m) Intangible assets

Separately acquired intangible assets are initially measured at cost. Residual values and useful lives are reassessed annually. They are subsequently carried at cost less any impairment losses and undergo an impairment review annually. If there is an indication of impairment to their indefinite useful lives, an impairment test is performed.

(n) 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. 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.

(o) 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 and jointly controlled entities 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.

2. ACCOUNTING POLICIES (continued)

(o) Taxation (continued)

Deferred Tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses arising on temporary differences in deductibles 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.

(p) Leases

Where the substance of a lease transfers substantially all of the risks and rewards incidental to ownership of the leased asset, 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.

The Group as an operating lessee – the costs of leasing other assets are charged to Profit or Loss on a straight line basis over the term of the lease. The difference between amounts recognised and contractual income is recognised as an operating lease liability.

(q) 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.

(r) 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.

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

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.

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	
		2016 US\$	2015 US\$	2016 US\$	2015 US\$
Australia -	Aus\$1 =	0.739	0.776	0.765	0.702
South Africa -	ZAR1 =	0.068	0.083	0.073	0.072
Europe -	€1 =	1.090	1.168	1.124	1.116
United Kingdom -	£1 =	1.413	1.541	1.299	1.515

2. ACCOUNTING POLICIES (continued)

(s) Cash and Cash Equivalents

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

(t) Fair Value hierarchy

IFRS13 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 lower 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

(u) Financial Instruments

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 investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownerships.

The principal financial assets are the portfolio investments, cash and bank balances and the accounts receivable. The listed investments are initially valued at cost and subsequently stated at fair value based on listed share prices in active markets for these shares; unlisted investments are initially valued at cost and subsequently stated at fair value; cash and bank balances are recorded at amortised cost; accounts receivable are initially valued at fair value and subsequently held at amortised cost, using the effective interest method.

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. These carrying values approximate to their fair values. 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.

(v) 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. Details of the attribution to segments of income, assets and liabilities are set out in note 3.

(w) 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 cash and 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.

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 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 other activities	Mainly transactions relating to the share portfolios, profits on disposals of tangible and intangible non-current assets, local head office costs and interest.

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

2015 comparatives in the table below have been restated to separate out discontinued operations.

Segmental analysis of results	2016		2015 (Restated)	
	Revenue US\$000	Result US\$000	Revenue US\$000	Result US\$000
Import and distribution *	238,869	5,858	255,184	8,477
Property	3,064	871	3,949	1,613
Share of associated companies results	-	31	-	(16)
Total continuing operations	241,933	6,760	259,133	10,074
Discontinued operations				
Import and distribution - Australia	526	(308)	1,462	(420)
Property - Australia	-	(5)	-	(12)
	242,459	6,447	260,595	9,642
Loss on disposal		(474)		-
Other Expense		(1,572)		(1,667)
Other Income		5,590		3,659
Finance expense		(2,502)		(2,338)
Profit before tax		7,489		9,296
Taxation		(2,983)		(2,630)
Profit for the year		4,506		6,666

* Includes sales to the Group's major customers representing 10% or more of Group revenue:

	2016 US\$000	2015 US\$000
Company A	130,144	133,074
Company B	26,761	37,598

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30th September 2016

3. SEGMENTAL REPORTING (continued)

	Assets US\$000	Liabilities US\$000	Net assets/ (liabilities) US\$000	Capital expenditure US\$000	Depreciation charge US\$000
Segmental analysis of net assets 30th September 2016					
Import and distribution	73,467	(47,800)	25,667	1,874	755
Property	23,450	(1,094)	22,356	367	8
Investment in associated companies	185	-	185	-	-
Unallocated (including cash, tax and debt)	58,962	(31,973)	26,989	-	-
Continuing operations	156,064	(80,867)	75,197	2,241	763
Discontinued operations - note 7					
Import and distribution	-	-	-	-	9
Property	-	-	-	-	5
Consolidated total	156,064	(80,867)	75,197	2,241	777

Segmental analysis of net assets 30th September 2015

Import and distribution	72,375	(47,314)	25,061	2,439	797
Property	28,440	(963)	27,477	265	12
Investment in associated companies	2,230	-	2,230	-	-
Unallocated (including cash, tax and debt)	41,711	(27,013)	14,698	-	-
Continuing operations	144,756	(75,290)	69,466	2,704	809
Discontinued operations - note 7					
Import and distribution activity	1,450	(414)	1,036	1	26
Property	893	(1)	892	-	-
Unallocated	46	-	46	-	-
Consolidated total	147,145	(75,705)	71,440	2,705	835

Secondary reporting format – geographical segments

The Group operates in the following geographic areas.

Europe	Location of part of the Group's import and distribution business, the non-trading parent company and most of the Group's investment portfolio.
Australia	Previously the location of part of the Group's import and distribution business.
Middle East	Location of part of the Group's import and distribution business.
United States	Part of the Group's property portfolio and some of the Group's investment portfolio are located here.
South Africa	Location of the bulk of the Group's import and distribution business and part of the Group's property portfolio.

	2016			2015		
	Group revenue US\$000	Total net assets US\$000	Capital expenditure US\$000	Group revenue US\$000	Total net assets US\$000	Capital expenditure US\$000
Europe	30,779	27,773	-	36,867	22,421	-
Middle East	1,526	504	2	4,829	591	-
United States	1,187	15,986	295	1,139	10,821	223
Total outside South Africa	33,492	44,263	297	42,835	33,833	223
South Africa	208,441	30,934	1,944	216,288	35,925	2,481
Total continuing operations	241,933	75,197	2,241	259,123	69,758	2,704
Australia – note 7	526	-	-	1,472	1,682	1
Total	242,459	75,197	2,241	260,595	71,440	2,705

Total net assets (before non-controlling interests) and capital expenditure are shown by the geographical area in which the assets are located.

4. OTHER INCOME

	2016 US\$000	2015 US\$000
Investment property revaluations (see note 10)	1,002	2,313
Gain on disposal of investment property	2,300	-
Gain on disposal of non-current tangible assets	24	-
Recovery of impairment on commercial property	20	-
Fair value adjustments on forward foreign exchange contracts	1	1
Dividend income	556	519
Interest income and other income	1,072	708
Exchange gains	590	-
Profit on disposal of investments	23	105
Total income on continuing operations	<u>5,588</u>	<u>3,646</u>
Other income of discontinued operations	2	13
	<u>5,590</u>	<u>3,659</u>

5. OTHER EXPENSES

	2016 US\$000	2015 US\$000
Investment property revaluations (see note 10)	(84)	-
Loss on disposal of investments	(18)	-
Fair value adjustments on tangible assets and listed investments	(36)	(31)
Fair value adjustment on unlisted investment	(200)	-
Impairment of property, plant and equipment	-	(215)
Loss on disposal of non-current tangible assets	(5)	(2)
Fair value adjustments and losses on disposal	<u>(343)</u>	<u>(248)</u>
Exchange losses	(5)	-
Administration and other expenses	<u>(29,441)</u>	<u>(27,231)</u>
	<u>(29,789)</u>	<u>(27,479)</u>
Administration and other expenses include :-		
Operating lease costs		
Premises	1,322	1,417
Plant, equipment and vehicles	40	64
Auditors' fees of the Company and its subsidiaries		
Audit related	465	456
Other	3	11

6. TAXATION

Corporate tax – current year	3,974	2,670
– prior years	(11)	12
Deferred taxation (note 19)	<u>(971)</u>	<u>(55)</u>
	<u>2,992</u>	<u>2,627</u>

This equates to an effective tax rate on profit before tax of 40.8% (2015 – 28.8%) and is higher than normal due to withholding taxes on the distribution from South Africa of profits on sale of investment properties.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30th September 2016

6. TAXATION (continued)

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

	2016 US\$000	2015 US\$000
Profit before taxation on continuing operations	<u>8,276</u>	<u>9,727</u>
Weighted average standard statutory tax rate *	29%	27%
Expected tax charge at standard statutory rates **	2,262	2,503
Withholding taxes	1,481	37
Effect of non-standard rates of tax ***	(468)	(29)
Effect of change in rates of tax	(185)	-
Losses (utilised)/unrelieved ****	(106)	103
Over provisions in prior years	(11)	(12)
Other timing differences	19	25
	<u>2,992</u>	<u>2,627</u>

* The weighted average standard statutory tax rate is the expected tax charge divided by the profit before tax.

** 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 operates.

*** Certain items of income or expenditure are subject to tax at rates which differ from the standard rates in the jurisdiction.

**** 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.

7. DISPOSAL OF AUSTRALIAN OPERATIONS

The Group sold its Australian operations, Queensland Tool and Machinery Distributors (Proprietary) Ltd (owned 50.1%) and QTM Property Holdings Ltd (owned 50.1%) during the year, (see note 32).

Detail of disposal:	US\$000
Property, plant and equipment	1,132
Inventories	1,427
Accounts receivable	254
Cash	62
Accounts payable	(1,196)
Deferred tax	(94)
Less minority interests	(633)
Net disposal	<u>952</u>
Proceeds	(478)
Loss on disposal	<u>474</u>

The disposal proceeds are repayable over 4 years, in equal annual instalments from 1st April 2017, or at any time in full. Interest is payable at 3% p.a. on the balance outstanding.

7. DISPOSAL OF AUSTRALIAN OPERATIONS (continued)

The results of operations to the date of disposal, and the comparative amounts for the prior year, included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income were:

	2016 US\$000	2015 US\$000
Revenue	526	1,462
Expenses	<u>(839)</u>	<u>(1,893)</u>
Loss before tax	(313)	(431)
Taxation	<u>9</u>	<u>(3)</u>
Loss after tax	(304)	(434)
Loss attributable to non-controlling interests	<u>152</u>	<u>217</u>
Loss attributable to owners of the parent	<u>(152)</u>	<u>(217)</u>

Cashflows from discontinued operations were:

	2016 US\$000	2015 US\$000
Cashflows from :-		
Operating activities	(377)	(351)
Investing activities	31	14
Financing activities	<u>357</u>	<u>(119)</u>
Net cash inflows/(outflows)	<u>11</u>	<u>(218)</u>

8. EARNINGS PER SHARE

Basic and headline earnings per share are based on basic and headline earnings respectively. Both basic and headline earnings are calculated on 35,857,512 shares, being the weighted average number of shares in issue.

Basic earnings per share	<u>8.8c</u>	<u>13.4c</u>
Basic loss per share on discontinued operations	<u>(1.7)c</u>	<u>(0.6)c</u>
Basic earnings per share on continuing operations	<u>10.5c</u>	<u>14.0c</u>
Headline earnings per share on continuing and discontinued operations	<u>1.9c</u>	<u>8.7c</u>
Headline earnings per share on continuing operations	<u>2.3c</u>	<u>9.3c</u>
Headline earnings per share on discontinued operations	<u>(0.4)c</u>	<u>(0.6)c</u>

	2016 US\$000	2015 US\$000
Basic earnings on continuing and discontinued operations	3,153	4,819
Share of losses of discontinuing operations	152	218
Loss on disposal of discontinuing operations	474	-
Basic earnings on continuing operations	<u>3,779</u>	<u>5,037</u>

Notes to the Consolidated Financial Statements (continued)
For the year ended 30th September 2016

8. EARNINGS PER SHARE (continued)

	2016 US\$000	2015 US\$000
Reconciliation between basic and headline earnings		
<i>Basic earnings on continuing and discontinued operations</i>	3,153	4,819
<i>Adjusted for:</i>		
Gain on disposal of investment property, net of tax effect of US\$46,000	(2,346)	-
Investment property revaluation, net of tax effect of US\$196,000 (US\$501,000)	(722)	(1,812)
Loss on disposal of Australian operations, including recycled exchange losses of US\$157,000	474	-
(Recovery of)/Provision for impairment on non-current asset	(20)	246
Reclassification of previously recognised gains on disposal of available for sale investments	(40)	(149)
Effect of change in rate of tax	185	-
(Profit)/Loss on disposal of non-current tangible assets	(19)	2
Headline earnings on continuing and discontinued operations	665	3,106

	2016 US\$000	2015 US\$000
Reconciliation between basic and headline earnings per share on continuing operations		
<i>Basic earnings on continuing operations</i>	3,779	5,037
<i>Adjusted for:</i>		
Gain on disposal of investment property, net of tax of US\$46,000	(2,346)	-
Investment property revaluation, net of tax effect of US\$196,000 (US\$501,000)	(722)	(1,812)
(Recovery of)/Provision for impairment of non-current assets	(20)	246
Reclassification of previously recognised gains on disposal of available for sale investments	(40)	(149)
Effect of change in rate of tax	185	-
(Profit)/Loss on disposal of non-current tangible assets	(19)	2
Headline earnings on continuing operations	817	3,324

9. DIVIDENDS

	2016 US\$000	2015 US\$000
Interim		
1.8 US cents per share (2015 – US 1.8c)	643	645
Second interim (final) dividend in respect of prior year		
1.8 US cents per share (2015 – US 1.8c)	644	646
Total dividends paid in the year 3.6 US cents (2015 – 3.6 US cents)	1,287	1,291

A second interim (final) dividend of US1.9 cents per share for the year ended 30th September 2016 (2015 US 1.8 cents) has been declared.

10. INVESTMENT PROPERTIES

	2016 US\$000	2015 US\$000
Brought forward 1 st October:		
At fair value	27,472	28,374
Translation adjustment	163	(3,477)
	<u>27,635</u>	<u>24,897</u>
Fair value adjustments	918	2,313
Re-classified – property held for sale	(1,189)	-
Disposals	(7,268)	-
Improvement expenditure	364	262
Balances carried forward 30 th September - at fair value	<u>20,460</u>	<u>27,472</u>
Analysis of net book value:		
United States	11,500	11,289
South Africa	8,960	16,183
	<u>20,460</u>	<u>27,472</u>
Amounts recognised in the Consolidated Statement of Profit or Loss and Comprehensive Income for investment properties:	2016 US\$000	2015 US\$000
Rental income	3,064	3,949
Direct operating expenses from property that generated rental income	(2,193)	(2,348)
	871	1,601
Fair value recognised in other income	1,002	2,313
Fair value recognised in other expenses	(84)	-
	<u>1,789</u>	<u>3,914</u>

The bases for valuation of properties is set out in note 29. A deduction from the valuation amount is made for the amortised lease receivables recognised in accounts receivable.

All properties were rent producing. Certain investment properties were mortgaged at 30th September 2016 to secure long term finance (see note 18).

As lessor, the Group had projected future rental income within one year of US\$1,961,000 (2015 – US\$2,635,000) and within two to five years of US\$2,373,000 (2015 – US\$3,378,000), 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 30th September 2016

11. PROPERTY, PLANT AND EQUIPMENT

	Plant US\$000	Equipment US\$000	Vehicles US\$000	Commercial Property Land US\$000	Buildings US\$000	2016 Total US\$000
Year Ended 30th September 2016						
Brought forward 1 st October						
At cost or valuation	1,867	2,986	1,358	1,791	4,036	12,038
Translation adjustment	15	27	53	31	82	208
	1,882	3,013	1,411	1,822	4,118	12,246
Revaluations	-	-	-	28	208	236
Additions	71	651	135	-	1,020	1,877
Disposals	(396)	(92)	(233)	(259)	(740)	(1,720)
Balances carried forward 30 th September	1,557	3,572	1,313	1,591	4,606	12,639
Depreciation						
Brought forward 1 st October	980	1,523	616	-	-	3,119
Translation adjustment	20	32	16	-	-	68
	1,000	1,555	632	-	-	3,187
Charge for the year – continuing	139	441	164	-	-	744
- discontinued	-	-	9	-	-	9
Translation adjustment	(27)	32	13	-	-	18
Disposals	(290)	(105)	(161)	-	-	(556)
Balances carried forward 30 th September	822	1,923	657	-	-	3,402
Net book value 30 th September 2016	735	1,649	656	1,591	4,606	9,237
	Plant US\$000	Equipment US\$000	Vehicles US\$000	Commercial Property Land US\$000	Building US\$000	2015 US\$000
Year Ended 30th September 2015						
Brought forward 1 st October						
At cost or valuation	1,964	2,835	1,419	1,749	3,996	11,963
Translation adjustment	(364)	(518)	(266)	(310)	(742)	(2,200)
	1,600	2,317	1,153	1,439	3,254	9,763
Revaluations	-	-	-	178	185	363
Impairment	-	-	-	-	(215)	(215)
Additions	381	742	334	174	812	2,443
Disposals	(114)	(73)	(129)	-	-	(316)
Balances carried forward 30 th September	1,867	2,986	1,358	1,791	4,036	12,038
Depreciation						
Brought forward 1 st October	1,144	1,409	647	-	-	3,200
Translation adjustment	(206)	(255)	(118)	-	-	(579)
	938	1,154	529	-	-	2,621
Charge for the year – continuing	169	462	171	-	-	802
- discontinued	13	7	13	-	-	33
Translation adjustment	(25)	(59)	(23)	-	-	(107)
Disposals	(115)	(41)	(74)	-	-	(230)
Balances carried forward 30 th September	980	1,523	616	-	-	3,119
Net book value 30 th September 2015	887	1,463	742	1,791	4,036	8,919

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	2016 US\$000	2015 US\$000
Analysis of net book value:		
South Africa		
Commercial property	5,746	4,833
Other	<u>3,410</u>	<u>3,037</u>
	<u>9,156</u>	<u>7,870</u>
Australia		
Commercial property	-	812
Other	-	156
	<u>-</u>	<u>968</u>
Other – Commercial property	<u>81</u>	<u>81</u>
Total	<u>9,237</u>	<u>8,919</u>

Details of commercial property valuation methods and inputs are detailed in note 29.

Commercial properties with a carrying value of US\$5,726,000 were mortgaged at 30th September 2016 to secure long comparative term finance (see note 18).

The carrying value of the revalued commercial property under the cost model would have been US\$4,256,000 (2015 – US\$2,823,000).

12. GOODWILL

	2016 US\$000	2015 US\$000
Balance brought forward 1 st October	179	220
Translation adjustment	<u>1</u>	<u>(41)</u>
Balance carried forward 30 th September	<u>180</u>	<u>179</u>

No impairment arises following the annual assessment of impairment of goodwill, on a value in use basis, based on the net assets and profitability of the business, and the absence of any indications of impairment. There was no impairment in previous years.

13. INTANGIBLE ASSETS

	2016 US\$000	2015 US\$000
Customer lists		
Balance brought forward 1 st October	521	637
Translation adjustment	<u>2</u>	<u>(116)</u>
Balance carried forward 30 th September	<u>523</u>	<u>521</u>

No impairment arises following the annual assessment of impairment of intangibles, on a fair value less costs to sell basis, taking account of the underlying net assets and trading results of the Company. There was no impairment in previous years.

14. INVESTMENT IN ASSOCIATED COMPANIES

	2016 US\$000	2015 US\$000
Balance brought forward 1 st October	2,383	2,006
Translation adjustment on balance brought forward	2	(51)
Share of other comprehensive income	-	444
Additional investment	203	-
Reclassified *	<u>(2,413)</u>	-
Share of results for the year	31	(16)
Translation adjustment on results for the year	2	-
Dividends received	<u>(23)</u>	<u>-</u>
Balance carried forward 30 th September	<u>185</u>	<u>2,383</u>

* Halogen distributed all of its investment in Heartstone Inns Ltd (“Heartstone”) to Halogen’s shareholders as part of a capital reduction in November 2015. As a result the Group no longer has an investment in Halogen and instead has an investment of 15% of Heartstone, which is disclosed as an unlisted investment in note 15.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30th September 2016

14. INVESTMENT IN ASSOCIATED COMPANIES (continued)

	2016 US\$000	2015 US\$000
	Percentage of equity held	
a) Held by Marshall Monteagle PLC		
Halogen Holdings Limited (“Halogen”) – Holding company	Nil	46.9%
b) Held by Monteagle Group Southern Holdings 2 Limited		
Gayle Henderson Marketing Proprietary Limited – Marketing company Incorporated and operating in South Africa, unlisted.	26%	26.0%

This company generated revenue of ZAR13,176,000 (2015 - ZAR11,808,000) and had an unaudited profit for year ended 30th September 2016 of ZAR2,189,000 (2015 - ZAR2,495,000). Total assets at 30th September 2016 were ZAR4,941,000 (2015 – ZAR4,107,000), current liabilities were ZAR1,172,000 (2015 - nil) and unaudited reserves were ZAR3,497,000 (2015 – ZAR3,609,000).

There are no restrictions on these investments.

15. INVESTMENTS

	2016 US\$000	2015 US\$000
Listed investments		
Balance brought forward 1 st October	20,042	19,547
Additions	410	2,088
Disposals	(428)	(957)
Fair value adjustments	3,185	(487)
Recycled fair value adjustments	(40)	(149)
	<u>23,169</u>	<u>20,042</u>
Unlisted investment	<u>2,213</u>	<u>-</u>
Net book value 30th September	<u>25,382</u>	<u>20,042</u>
Geographical analysis:		
Listed investments		
Listed in:		
UK	5,097	4,773
USA	8,882	7,510
Europe	4,947	4,238
Switzerland	2,756	2,327
Japan	1,487	1,194
	<u>23,169</u>	<u>20,042</u>
Unlisted		
Europe	<u>2,213</u>	<u>-</u>
	<u>25,382</u>	<u>20,042</u>

A portion of the parent company’s listed portfolio investments, with a value of US\$7,247,000 is pledged to secure an overdraft facility of US\$3,661,000, of which US\$476,000 is drawn at the reporting date (see note 18).

The unlisted investment in Heartstone is carried at fair value which is calculated based on the net asset value per share at 30th September 2016 less a discount of 10% to take into account the illiquidity of this holding in a private company. A fair value adjustment of US\$200,000 has been made against the original cost of this investment of US\$2,413,000. The Group owns 1,641,309 Ordinary Shares in Heartstone representing 15% of its issued Ordinary Shares.

15. INVESTMENTS (continued)

Heartstone prepares accounts to 31st December in Pounds Sterling and its latest published accounts for 2015 showed the following key performance indicators:

	2015		2014	
	%	£'000	%	£'000
Revenue		8,212		6,474
Gross Profit		2,731		2,083
Pub EBITDA *		1,361		1,021
Pub EBITDA Margin	16.6%		15.8%	
Company adjusted EBITDA *		767		527
Company EBITDA Margin	9.3%		8.1%	
Property, plant and equipment **		18,016		15,409
Net debt		3,490		2,051
Net debt/property, plant and equipment	19.4%		13.3%	

* Company adjusted EBITDA represents operating profit before interest, tax, revaluation/impairments, depreciation, amortisation, gains on sale of non-current assets and exceptional costs. Pub EBITDA represents operating profit of the pub estate and has been calculated as Company adjusted EBITDA after adding back the company's head office costs.

** The value of property, plant and equipment is supported by an independent professional valuation.

16. INVENTORY

	2016	2015
	US\$000	US\$000
Raw Materials	1,878	2,538
Finished Goods	22,173	26,321
	<u>24,051</u>	<u>28,859</u>

There were no material provisions against delinquent inventories at 30th September 2016 (2015 – not material). Inventory with a total value of US\$10,612,000 is pledged to First Rand Bank Limited as security for loans and pledged to Gerber Finance Inc. for receivables finance. General notarial bonds in favour of Reichmans (Proprietary) Ltd and Gerber exist up to a maximum value of US\$2,545,000, ranking below the preceding pledges.

17. ACCOUNTS RECEIVABLE AND OTHER FINANCIAL ASSETS

	2016	2015
	US\$000	US\$000
a) At amortised cost		
Trade debtors	38,980	36,553
Amounts due from associated company	-	13
Other debtors	2,717	1,711
	<u>41,697</u>	<u>38,277</u>
b) At fair value through Profit or Loss		
Accrued operating lease income on properties	256	364
Forward foreign exchange contracts	70	187
	<u>326</u>	<u>551</u>
Aged analysis of trade debtors not impaired but overdue by:		
One month	3,486	2,048
Two months	1,243	1,131
Three months	873	662
Four months and over	780	554

The amounts due from other debtors were not overdue and not subject to any restrictions. Trade debtors with a total value of US\$5,977,000 (2015 – US\$7,032,000) are pledged to FNB Corporate, a division of FirstRand Bank Ltd. and Reichmans (Proprietary) Ltd. Customers are subject to credit verification procedures and balances are monitored on an on-going basis. The ageing profile of trade receivables is shown above and the provisions for impaired receivables at 30th September 2016 were US\$ 277,000 (2015 – US\$ 159,000).

Included in other debtors are the proceeds on disposal of our Australian operations of US\$483,000 receivable after more than one year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30th September 2016

18. FINANCIAL LIABILITIES

	2016 US\$000	2015 US\$000
Current:		
a) Financial liabilities		
<i>At amortised cost</i>		
Bank overdrafts	10,372	8,576
Trade creditors, including bills payable and acceptance credits	44,152	43,710
Other creditors and short term portions of secured loans	3,454	1,993
Accruals	1,568	1,235
	<u>59,546</u>	<u>55,514</u>
b) Other financial liabilities		
<i>At fair value through Profit or Loss</i>		
Forward foreign exchange contracts	739	-
<i>At amortised cost</i>		
Capitalised lease obligations - (South African Rand)	109	293
	<u>848</u>	<u>293</u>
c) Financial liabilities secured on the investment property held for sale		
<i>At amortised cost</i>	251	-

A portion of the parent company's listed portfolio investments, with a value of US\$7,247,000 is pledged to secure an overdraft facility of US\$3,661,000, of which US\$476,000 is drawn at the reporting date.

Non-current:

Loan from non-controlling interest (US Dollar)	234	-
Secured loans: - South Africa - (South African Rand)	1,762	1,443
- United States - (US Dollar)	6,152	5,316
- Europe - (US Dollar)	3,900	3,900
- Capitalised lease obligations - (South African Rand)	303	809
- Capitalised lease obligations - (Australian dollar)	-	203
	<u>12,351</u>	<u>11,671</u>

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 10, 11 and 15). Certain of these mortgages include standard terms regarding the assignment of lease, rent and payments under insurance policies.

The principal rates of interest on loans are commercial rates - United States 3.66%, South Africa between 9.5% and 10.5%.

19. DEFERRED TAXATION

	2016 US\$000	2015 US\$000
Deferred tax assets		
Timing differences arising from:-		
Lease liabilities	205	138
Accruals	668	534
Losses recoverable	644	385
Other	42	83
	<u>1,559</u>	<u>1,140</u>
Deferred tax liabilities		
Timing differences arising from:-		
Investment property valuations	4,416	5,026
Commercial property valuations	557	578
Fair value adjustments to investments	905	539
Lease receivables	33	57
Other	183	124
Net book value 30 th September	<u>6,094</u>	<u>6,324</u>
Reconciliation of movement		
Disclosed as asset	1,140	920
Disclosed as liability	<u>(6,324)</u>	<u>(6,597)</u>
Balance at 1 st October	<u>(5,184)</u>	<u>(5,677)</u>
Translation adjustment (See Note 2(r))	73	407
Released on disposal of discontinued operations	84	-
Deferred taxation credited to profit (see below)	971	55
Deferred tax charged to Other Comprehensive Income:-		
(Increase) in surplus on revaluation of commercial properties	(114)	(41)
(Increase)/Decrease in fair value adjustments to investments	<u>(365)</u>	<u>72</u>
Net book value 30 th September	<u>(4,535)</u>	<u>(5,184)</u>
Disclosed as asset	1,559	1,140
Disclosed as liability	<u>(6,094)</u>	<u>(6,324)</u>
Deferred taxation credited/(charged) to Profit or Loss arises from:		
Disposal of investment properties	(46)	-
Increase in uplifts on revaluation of investment properties	178	(473)
Increase in available losses	556	179
Change in rate of tax	185	-
Increase in accruals	82	309
Other	16	40
	<u>971</u>	<u>55</u>

There are no tax losses (2015 US\$107,000) which have not been brought into account because their recoverability is extremely unlikely. There are no losses which have been accounted for which are subject to expiry dates.

20. SHARE CAPITAL

	Number	US\$000
Authorised		
Ordinary shares of US 25 cents each	<u>40,000,000</u>	<u>10,000</u>
Issued and fully paid		
At 30 th September 2015 and 2016	<u>35,857,512</u>	<u>8,964</u>

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30th September 2016

21. SHARE PREMIUM ACCOUNT

At 30th September 2015 and 2016

US\$000
23,606

22. OTHER RESERVES

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

<u>2015 -2016</u>	Property revaluation	Fair value of investments	Foreign currency translation	Total
	US\$000	US\$000	US\$000	US\$000
Other comprehensive income/(expense)				
Unrealised gains on investments	-	2,820	-	2,820
Reclassified profits on investments	-	(40)	-	(40)
Commercial property revaluations	122	-	-	122
Translation of comprehensive income from average rates of exchange to those at the reporting date	-	-	(551)	(551)
Translation differences arising on the conversion of opening balances	(33)	-	215	182
Recycled exchange losses on disposal of operations	-	-	157	157
Less non-controlling interests share of translation differences	-	-	(225)	(225)
Other Comprehensive Income, net of non-controlling interests	89	2,780	(404)	2,465
Transfers to/(from) retained earnings				
Surplus on sale of property, investments, plant and equipment released to retained earnings	(4,844)	-	-	(4,844)
Investment property revaluations	1,002	-	-	1,002
Investment property devaluations	(84)	-	-	(84)
Deferred taxation on revaluations	(397)	-	-	(397)
	(4,323)	-	-	(4,323)
Total movement	(4,234)	2,780	(404)	(1,858)
Balance brought forward 1 st October 2015	9,683	5,334	(15,878)	(861)
Balance carried forward 30 th September 2016	5,449	8,114	(16,282)	(2,719)
Relating to:				
Investment Property held for sale	665			
Other Property	4,784			

22. OTHER RESERVES (continued)

<u>2014 -2015</u>	Property Revaluation	Fair value of investments	Foreign currency translation	Total
	US\$000	US\$000	US\$000	US\$000
Other comprehensive income/(expense)				
Share of associate	-	444	-	444
Unrealised gains on investments	-	(414)	-	(414)
Reclassified profits on investments	-	(149)	-	(149)
Commercial property revaluations	322	-	-	322
Translation of comprehensive income from average rates of exchange to those at the reporting date	-	-	(522)	(522)
Translation differences arising on the conversion of opening balances	-	-	(6,919)	(6,919)
Less non-controlling interests share of valuations	(23)	-	-	(23)
Less non-controlling interests share of translation differences	-	-	1,626	1,626
Other Comprehensive Income, net of non-controlling interests	<u>299</u>	<u>(119)</u>	<u>(5,815)</u>	<u>(5,635)</u>
Transfers to/(from) retained earnings				
Investment property revaluations	2,313	-	-	2,313
Deferred taxation on revaluations	(473)	-	-	(473)
Transfer translation differences from retained earnings	-	-	3,039	3,039
	<u>1,840</u>	<u>-</u>	<u>3,039</u>	<u>4,879</u>
Total movement	2,139	(119)	(2,776)	(756)
Balance brought forward 1 st October 2014	7,544	5,453	(13,102)	(105)
Balance carried forward 30 th September 2015	<u>9,683</u>	<u>5,334</u>	<u>(15,878)</u>	<u>(861)</u>
			2016	2015
			US\$000	US\$000
Translation differences arising on the conversion of opening balances for -				
Investment properties			163	(3,477)
Other non-current assets			213	(1,837)
Inventories			35	(5,054)
Trade and other receivables			236	(5,209)
Trade and other payables			(311)	8,613
Cash and cash equivalents			13	(738)
Taxation			(18)	783
			<u>331</u>	<u>(6,919)</u>
Less translation differences on discontinued operations			<u>(149)</u>	-
Translation differences arising on the conversion of opening balances of continuing operations			182	(6,919)
Translation of comprehensive income of continuing operations from average rates of exchange to those at the reporting date			<u>(551)</u>	(522)
Total – Other comprehensive Income			<u>(369)</u>	<u>(7,441)</u>

Notes to the Consolidated Financial Statements (continued)

For the year ended 30th September 2016

23. RESERVES

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

Reserve	Description and purpose.
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 Total 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 30th September 2016.

The Company requires its subsidiaries to pay annual dividends sufficient 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.

24. NOTES TO THE CASH FLOW STATEMENT

(a) Analysis of net funds	2015	Exchange movements	Cash flow movement	2016
	US\$000	US\$000	US\$000	US\$000
Cash at bank and in hand	18,644	44	12,228	30,916
Bank overdrafts (note 18)	(8,576)	(31)	(1,765)	(10,372)
	<u>10,068</u>	<u>13</u>	<u>10,463</u>	<u>20,544</u>
(b) Analysis of funds by currency	2015	Exchange movements	Cash flow movement	2016
	US\$000	US\$000	US\$000	US\$000
United States Dollars	4,838	-	10,950	15,788
Swiss Francs	-	-	6	6
Australian Dollars	70	6	(13)	63
South African Rands	2,637	15	2,879	5,531
Euros	2,260	15	(3,311)	(1,036)
Pounds Sterling	263	(23)	(48)	192
	<u>10,068</u>	<u>13</u>	<u>10,463</u>	<u>20,544</u>

25. RELATED PARTIES

	2016	2015
	US\$000	US\$000
Related party fees (other than Directors' fees)	<u>254</u>	<u>242</u>

Related party fees (other than Directors' fees)

Mr. D.C. Marshall, Mr. L.H. Marshall and Mr. E.J. Beale are, or were, Directors of City Group P.L.C., the Company Secretary, to which fees of US\$199,000 (2015 – US\$206,000) were paid. At the reporting date, there were no balances due to or from City Group (2015 – nil). Fees are agreed at arm's length and settlement is due on receipt of invoice.

Mr. R.C. Kerr is a consultant to the legal services practice of Maitland, to which fees of US\$12,000 were paid in the year (2015 – US\$12,000). At the reporting date, there were no balances due to or from Maitland (2015 – nil). Fees are agreed at arm's length and settlement is due on receipt of invoice.

Mr. B.C.B. Newman and Mr. M.A. Pesco are directors of First Names (Jersey) Limited, to which fees of US\$43,000 were paid in the year (2015 - US\$25,000). At the reporting date, there were no balances due to First Names (Jersey) Limited (2015 – nil). Fees are agreed at arm's length and settlement is within 30 days of invoice.

Other than as disclosed above, no Director, or parties who were considered as 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.

Directors' fees

The key management team, including non-executive directors, of 6 (2015 – 6) consisting of Messrs E.J Beale, R.C. Kerr, D.C. Marshall, L.H. Marshall, B.C.B. Newman and M.A. Pesco, received total remuneration for the year consisting of short term benefits of US\$564,000 (2015 – US\$630,000).

The related companies within the Group are detailed in Note 30.

26. GROUP COMMITMENTS AND CONTINGENT LIABILITIES

At 30th September 2016, the Group had commitments as lessee under operating leases of US\$963,000 (2015 – US\$426,000) within one year and US\$3,824,000 (2015 – US\$822,000) in two to five years and US\$932,000 over five years

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 (2015 – nil) at the reporting date.

There are options to renew certain property leases, if agreed by both parties. These leases include rent escalation clauses.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30th September 2016

27. FINANCIAL INSTRUMENTS

The categories of financial instruments used by the Company are:

	2016 US\$000	2015 US\$000
Financial assets		
<i>Available for sale carried at fair value</i>		
Investments – listed	23,169	20,042
– unlisted	<u>2,213</u>	<u>-</u>
	<u>25,382</u>	<u>20,042</u>
<i>At fair value through profit & loss</i>		
Forward foreign exchange contracts	<u>70</u>	<u>135</u>
<i>At amortised cost</i>		
Accounts receivable	41,697	38,641
Cash at bank	<u>30,916</u>	<u>18,644</u>
	<u>72,613</u>	<u>57,285</u>
Financial liabilities		
<i>At amortised cost</i>		
Trade and other payables - current	49,534	47,231
- non-current	12,351	11,671
Bank overdrafts	<u>10,372</u>	<u>8,576</u>
	<u>72,257</u>	<u>67,478</u>
<i>At fair value through profit or loss</i>		
Forward foreign exchange contracts	<u>739</u>	<u>-</u>

Fair Value Hierarchy

Listed investments are stated at fair value based on listed prices in active markets for those shares and are considered Level 1 financial instruments.

The unlisted investment in Heartstone is carried 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. This is considered to be a Level 3 financial instrument.

Forward foreign exchange contracts are considered Level 2 financial instruments. Fair value is determined by market value quotes received from independent financial institutions.

Accounts receivable and accounts payable due within one year are carried at amortised cost which approximates to their fair values at the year-end.

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.

28. 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 27. The Group does not consider there to be any significant risk regarding balances with associates, which are accounted for in accordance with accounting policy notes 2(e) and 2(f). 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. 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 fair value of future cash flows of financial instrument liabilities payable after more than one year will not fluctuate with changes in market interest rates as interest rates are fixed and the risk is therefore minimal. The principal rates on long-term borrowings for the year were fixed at rates between 9.5% and 10.5% in South Africa and 3.66% in the United States (2015 – 8.7% to 12.25% and 6.1% respectively). The Group secures short-term finance at variable rates on the best commercial terms, in South Africa based on Prime Rate, which ranged between 9.5% and 10.5% and in Europe at rates between 1.5% and 1.9% (2015 – 5.5% to 9.25% and 1.5% to 1.9% respectively).

There are no investments in fixed interest stock 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 0.5% would be reasonably possible and would result, based on the liabilities shown in the Statement of Financial Position, in a change in the net charge in the current and prior year of approximately US\$7,000 (2015 – US\$13,000).

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(r). It is impossible to predict how exchange rates will vary in the future. A 10% 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\$3,091,000 (2015 – US\$3,820,000).

Market 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.

It is impossible to predict how markets will perform in the future. A 5% decrease in the value of the listed investments detailed in note 15 would be reasonably possible and would result in the fair values of investments decreasing by US\$1,158,000 (2015 - US\$1,002,000) and a corresponding decrease in other reserves. A 5% increase is also reasonably possible and would, on the same basis, increase fair values and increase 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 5% would change the fair value by US\$121,000.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30th September 2016

28. RISK MANAGEMENT (continued)

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.

	2016 US\$000	2015 US\$000
Liabilities falling due:		
Within twelve months - accounts payable	60,645	55,807
- tax payable	1,777	1,903
Between one and five years	1,728	1,633
Over five years	10,623	10,038
	<u>74,773</u>	<u>69,381</u>

There are no material differences between the discounted liabilities and their contractual amounts and they are repayable over the above periods. The effect of discounting (using a market related interest rate) when applying the effective interest rate method results in no real difference between a fair value determined and the actual carrying amount of the loans.

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

	2016 US\$000	2015 US\$000
Liquid assets:		
Cash and cash equivalents	30,916	18,644
Listed investments	23,169	20,042
Trade and other receivables	42,023	38,641
	<u>96,108</u>	<u>77,327</u>

29. 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 30th September 2016; in the United States by D. Asaro, Senior Vice President of Cassidy Turley, in San Diego; and in South Africa by Tim Moulder FRICS FIV (SA) of Broll Advisory Service (Proprietary) Ltd, 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 30th September, 2016, the approach used has been to project income for a 5-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 also discounted to present value. 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 30th September 2016 by Tim Moulder FRICS FIV (SA) of Broll Advisory Service (Proprietary) Ltd, 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. 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.

29. INVESTMENT AND COMMERCIAL PROPERTY VALUATION INPUTS (continued)

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
		2015	2016	
a)South Africa				
Investment properties	Discount %	16.25/17.75	17.75	Decrease
	Reversionary capitalisation %	11.0/12.5	12.5	Decrease
	Capitalisation %	10.5/12	12.0	Decrease
	Expense growth %	7	7	Decrease
	Rental growth %	6	6	Increase
Commercial properties	Net rent (ZAR)	42.04	42.04	Increase
	Capitalisation rate %	9.25	9.25	Decrease
	Open market selling price (ZAR per square metre)	16,000	16,000	Increase
b)United States				
Investment Properties	Vacancy rate %	10.0	10.0	Decrease
	Capitalisation rate %	7.0	7.0	Decrease

30. 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, unless otherwise stated. The percentage of voting rights held is the same as the ownership percentage.

Principal activity – Import and distribution companies

Wholly owned

Europe	Monteagle International Limited Monteagle International (UK) Limited High Altitude Coffee Company Limited
South Africa	Monteagle Consumer Group Limited Global Coffee Exports Limited

Owned 50.1%

South Africa	L&G Tool and Machinery Distributors Limited Monteagle Africa Limited
Middle East	LMA Global DWC LLC

Owned 50% and board control

South Africa	Monteagle Logistics Limited
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Principal activity – Property holding companies

Wholly owned

South Africa	Marshalls Group Ltd Marshalls Parking (Proprietary) Limited Monteagle Property Holdings Limited
United States	Monteagle Inc.

Principal activity – Investment holding and intermediate Group holding companies

Wholly owned

Europe	Monteagle Merchant Group Limited
South Africa	Monteagle Merchant Group Southern Holdings Limited Monteagle Merchant Group Southern Holdings 2 Limited Merchant & Industrial Properties Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 30th September 2016

30. SUBSIDIARIES (continued)

Further information on Monteagle Africa Limited and L&G Tool & Machinery Distributors Limited, which have non-controlling interests which are material to the reporting Group, are given below in aggregate.

The information is aggregated because both businesses undertake operations of a similar nature (i.e. the purchase of goods, warehousing, and delivering to retailers) but of different products and to different customers; and have stable ownership structures that are not anticipated to change. The nature of these interests is consistent with the nature of, and risks associated with the Group's interests in other entities; and shows the effects of those interests on its financial position, financial performance and cash flows.

	2016	2015
	US\$000	US\$000
Revenue	145,996	145,298
Profit for the year	2,566	3,207
Total comprehensive income	2,671	3,083
Non-controlling interest share of profit	306	303
Dividends paid to Non-controlling interests	1,454	770
Contribution to group cash – (outflow)/inflow	(763)	2,484
Non-current assets	8,778	6,082
Current assets	41,459	43,261
Current liabilities	33,945	33,619
Non-current liabilities	1,087	649
Accumulated Non-controlling interests	1,180	7,562

31. INTERNATIONAL FINANCIAL REPORTING STANDARDS

a) Standards and Interpretations adopted with no effect on the financial statements

There were no new or revised Standards and Interpretations which required to be adopted in these financial statements.

b) Standards in issue, not yet effective

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

IFRS/ IFRIC/ IAS	Title	Effective for annual periods beginning on or after
IFRS 2	Share-based Payments – Technical changes	1 January 2018
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Technical changes	1 January 2016
IFRS 7	Financial Instruments: Disclosures – Technical changes	1 January 2016
IFRS 9	Financial Instruments - New standard	1 January 2018
IFRS 10	Consolidated Financial Statements - Technical changes	1 January 2016
IFRS 11	Joint Arrangements - Technical changes	1 January 2016
IFRS 12	Disclosure of Interests in Other Entities - Technical changes	1 January 2016
IFRS 14	Regulatory Deferral Accounts - New standard	1 January 2016
IFRS 15	Revenue from Contracts with Customers – New standard	1 January 2018
IFRS 16	Leases – New standard	1 January 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration – Technical changes	1 January 2018
IAS 1	Presentation of Financial Statements – Technical changes	1 January 2016
IAS 7	Statement of Cash Flows – Technical changes	1 January 2017
IAS 12	Income Taxes – Technical changes	1 January 2017
IAS 16	Property, Plant and Equipment – Technical changes	1 January 2016
IAS 19	Employee Benefits – Technical changes	1 July 2016
IAS 27	Consolidated and Separate Financial Statements: – Technical changes	1 January 2016
IAS 28	Investments in Associates and Joint Ventures – Technical changes	1 January 2016
IAS 34	Interim Financial Reporting – Technical changes	1 January 2016
IAS 38	Intangible Assets: Technical changes	1 January 2016
IAS 40	Investment Property – Technical changes	1 January 2018
IAS 41	Agriculture Bearer Plants – Technical changes	1 January 2016

The Directors have considered the impact of the adoption of these Standards and Interpretations and have determined that IFRS 9, IFRS 15 and IFRS 16 will impact both the measurement and disclosures of financial instruments, revenue and leases of the Group in future periods. However, as the effective date for the standards is not until 2018, for IFRS 9 and IFRS 15, and 2019 for IFRS 16, the Directors are yet to carry out a detailed analysis of the impact of these changes on the Group.

32. EVENTS AFTER THE REPORTING DATE

On 1st November 2016 an investment property in Cape Town was disposed of, and therefore meets the definition of a non-current asset held for sale. As such the carrying value of this investment property and the related property revaluation and financial liabilities have been classified accordingly.

	US\$000
Investment property held for sale	1,189
Financial liabilities secured on the non-current assets held for sale	251
Property revaluation (note 22)	665

The sale proceeds were US\$1,208,000 and a profit on sale of US\$46,000 will be recognised in the year ending 30th September 2017.

Directors' Report

For the year ended 30th September 2016

The Directors submit their report for the year ended 30th September 2016.

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 administration 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, after tax and non-controlling interests, was US\$3,153,000 compared to US\$4,819,000 for the previous year. Earnings per share were 8.8 US cents (2015 – 13.4 US cents). A detailed review of the Group's operations is set out in the Business Review on pages 4 and 5. A detailed analysis of the Group's operations is set out in note 3 on pages 15 to 16.

DIVIDENDS

An interim dividend of 1.8 US cents (2015 – 1.8 US cents) was declared payable on 11th July 2016.

A second interim (final) dividend of 1.9 US cents per share for the year ended 30th September 2016 (2015 – 1.80 US cents) was paid on 23rd January 2017 to those shareholders on the register at the close of business on 13th January 2017.

DIRECTORS

A list of the Directors of the Company is shown on page 2.

In accordance with the Company's Articles of Association, Mr. B.C.B. Newman retires and, being eligible, offers himself for re-election at the Annual General Meeting.

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

	30 th September 2016		30 th September 2015	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
E.J. Beale	-	-	-	-
R.C. Kerr	20,000	10,000	20,000	10,000
D.C. Marshall	-	17,430,846*	-	17,430,846*
L.H. Marshall +	-	-	-	-
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.

+ As announced on SENS, Mr. L.H. Marshall passed away on 20th November 2016.

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 dated 22nd September 2014.

DIRECTORS (continued)

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

		Parent Company		2016	2015
		Director's fee	Other	Total	Total
		US\$000	US\$000	US\$000	US\$000
E.J. Beale	<i>Non-executive</i>	60	-	60	60
R.C. Kerr	<i>Non-executive</i>	41	-	41	41
L.H. Marshall +	<i>Executive</i>	41	137	178	228
D.C. Marshall †	<i>Executive</i>	41	162	203	220
B.C.B. Newman	<i>Non-executive</i>	41	-	41	41
M.A. Pesco	<i>Non-executive</i>	41	-	41	41
Total		<u>265</u>	<u>299</u>	<u>564</u>	<u>631</u>

† Prior to 1st October 2015, Mr. D.C. Marshall ceded his parent company directors fees to an overseas company which supplies his services and in which none of the Directors is interested, save that the directors of that company are two Jersey registered corporate entities and Mr. M.A. Pesco and Mr. B.C.B. Newman are directors of each of them.

+ As announced on SENS, Mr. L.H. Marshall passed away on 20th November 2016.

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 25 on page 31.

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 P.L.C., 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 P.L.C. and the Company have Directors in common, as set out in note 25 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	19,840,045	55.3
Corwil Investments Holdings (Proprietary) Limited	2,056,524	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 38. At the date of this report, the disclosure of public and non-public holdings was as follows:

	Shareholders	Shares	%
Non-public shareholdings	6	21,612,577	59.6
Public shareholdings	<u>668</u>	<u>14,244,935</u>	<u>40.4</u>
	<u>674</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 5) 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 capitalisation 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;
 - 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;
 - In accordance with schedule 12 of the JSE Listings Requirements, the Company's sponsor is required to confirm the adequacy of the Company's working capital prior to the Company entering the market to proceed with the repurchase.

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 39), Directors' interests in securities (page 38) and the share capital of the Company (page 39);
- 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.

AUDITOR

A resolution to re-appoint Saffery Champness 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,
CITY GROUP P.L.C.
Company Secretary

24th January 2017

CORPORATE GOVERNANCE

Good corporate governance is understood to require the engagement of people with the requisite skills and experience to meet the objectives of the Group, supported by organisational structures and processes appropriate to the nature of the Group.

The Directors have reviewed the Company's compliance with the requirements of the King Code of Governance for South Africa 2009 ("King III"), which applies to all companies listed on the JSE in South Africa and have adopted procedures within the context of the Group and the financial and human resources currently available to the Group.

The Directors continue to subscribe to the values of good corporate governance as set out in King III and are committed to the application of corporate governance best practices in the conduct of the Group's business. While the Board is of the opinion that the Group complies in all material respects with the principles embodied in King III, where specific principles have not been applied explanations for these are contained within the checklist on pages 50 to 52.

Mr. E.J. Beale is the non-executive Chairman of the Company. The other directors during the year were Mr. R.C. Kerr, Mr. B.C.B. Newman and Mr. M.A. Pesco who are all independent non-executive Directors, and Mr. D.C. Marshall, the Chief Executive Officer of the Group, and Mr. L.H. Marshall, the Finance Director. Subsequent to the year end and following the unexpected death of Mr. L.H. Marshall, Mr Beale is providing temporary cover for the role of Finance Director. There is a schedule of matters reserved for the Board and its committees. The Audit Committee comprises Mr. Newman, who was appointed its Chairman in January 2016, Mr. Kerr and Mr. Pesco and its report is set out below. Mr. Newman also chairs the Remuneration Committee, the other members being Mr. Kerr and Mr. Pesco. The Remuneration Committee meets as required and is responsible for decisions on remuneration for Directors. Details of the Directors' interests in the Company and their remuneration are given in the Directors' Report on page 38 and 39.

The Board has a majority of non-executive directors who act independently and this structure helps ensure that no one director has unfettered powers of decision making.

To preserve the decentralised nature and entrepreneurial management style of the Group, group-wide operating policies are kept to a minimum. Operating subsidiaries are responsible for IT and they are also required to manage IT risk.

The Board meets regularly and through an executive committee retains full and effective control over the Group. The Board met on seven occasions during the year following a formal agenda. With the exception of one meeting, when one Director was unable to attend, all the Directors were present at each meeting.

An annual formal evaluation of the performance of the Board, its committees and individual Directors has been performed.

The nomination of Directors is a matter for the entire Board and there is, therefore, no nomination committee. When appointing new Directors, the Board will take cognisance of its needs in terms of different skills, experience and gender diversity. The Board will continue with proactive management of talent and development of new skills to respond to changing market needs, and the focus will be on initiatives aimed at driving diversity in all its forms. On appointment, a tailored induction programme will be prepared. A brief biography of each Director is included on page 2. 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.

The Board as a whole has a working understanding of the effect of applicable laws, rules, codes and standards on the Group and its businesses. However, the diversity of group operations means that each individual Director does not have a working understanding of every applicable regulation. The Board promotes ethical behaviour throughout the Group's operations which should ensure automatic compliance with sensible regulations. Directors undertake individual continuing professional development programmes to remain up to date in their areas of expertise.

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. M.A. Pesco. The Finance Director and the external auditors, 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 twice in the financial year. With the exception of one meeting, when one Director was unable to attend, all the Directors 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.

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 group auditors and others, and informal oversight by regular discussions with the Group executive directors and key management personnel of subsidiaries and City Group P.L.C.. A director of the Company sits on the board of each operating subsidiary. However, in accordance with the King III Code, the establishment of an internal audit function is re-considered at least annually.

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

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 regard to the above:

- accounting policies, significant estimates and of judgement and extent of disclosures in the accounts have been reviewed;
- the scope, independence and objectivity of the external auditors was reviewed;
- the external audit firm, Saffery Champness, and audit partner Jeremy Ellis, are, in the Committee's opinion, independent of the Company and have been proposed to the shareholders for approval to be re-appointed as the Company's auditor for the 2016 financial year;
- on an ongoing basis, the Committee reviews and approves the fees proposed by the external auditor;

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- 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;
 - the nature and extent of non-audit services provided by the external auditor has been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence;
 - the nature and extent of non-audit services have been defined and pre-approved;
 - 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; 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.

Remuneration Committee

The Remuneration Committee comprises three non-executive directors, Mr. B.C.B. Newman (Chairman), Mr. R.C. Kerr and Mr. M.A. Pesco. The Committee may invite at its discretion such other Directors and external advisers as it deems appropriate. The Committee is responsible for reviewing the remuneration of the Directors and senior executives of the Group. The Committee met once during the year and all members attended the meeting.

Risk Factors

The Group is exposed to the following principal operational risks:

Consumer demand - the Group's international trading operations depend directly or indirectly upon a certain level of consumer demand. The Group has, in the past, managed to grow sales despite reductions in consumer demand through expanding its product range. There is no certainty that it will be able to do so in reaction to a future slowdown in consumer demand.

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.

Commodity Prices - The Group is exposed to price changes of commodities between their purchase and sale dates. Working practices are in place to minimise this exposure period.

Changes in regulatory environment - many of the Group's trading operations and a large number of its properties are based in South Africa and legislative 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 regulation may have a material impact on the business environment and adversely affect the Group's operations or cash flow.

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

The directors are responsible for preparing the Director's 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

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

We have audited the consolidated financial statements of Marshall Monteagle PLC on pages 6 to 37 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flow, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

This report is made solely to the Company's 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 Company's 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view;
- are in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with The Companies (Jersey) Law, 1991.

Matters on which we are required to report by exception

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 Company;
- proper returns adequate for our audit have not been received from branches not visited by us;
- the 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.

Jeremy Ellis
For and on behalf of Saffery Champness
Chartered Accountants
Guernsey, Channel Islands

24th January 2017

Contact and addresses

GROUP OFFICES

REGISTERED OFFICE
3rd Floor, 37 Esplanade,
St Helier,
Jersey,
JE2 3QA

COMPANY SECRETARY
City Group P.L.C.
6 Middle Street,
London, EC1A 7JA
Tel: + 44 20 7796 9060
E-mail: 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 281820

SOUTH AFRICA
Computershare Investor Services (Proprietary) Limited
PO Box 61051
Marshalltown
2107 South Africa
Fax: +27 11 688 5238

BANKERS

Credit Suisse (Luxembourg) S.A.
56 Grand Rue
L-1660 Luxembourg

First National Bank Limited
Shop 116
1-3 Sunset Crescent
KZN, 4320, South Africa

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

INDEPENDENT AUDITOR

Saffery Champness Chartered Accountants
PO Box 141
La Tonnelle House
Les Banques
St Sampson
Guernsey, GY1 3HS

SPONSOR

Sasfin Capital
(a division of Sasfin Bank Limited)
29 Scott Street,
Johannesburg, 2090.
South Africa

Notice of Annual General Meeting

Marshall Monteagle PLC

NOTICE is hereby given that the Annual General Meeting of Marshall Monteagle PLC (“the Company”) will be held at its registered office at 3rd Floor, 37 Esplanade, St. Helier, Jersey, JE2 3QA on Monday 10th April 2017 at 12 noon for the purpose set out below.

The minimum percentage of voting rights that is required for resolutions 1 to 3 (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 30th September 2016.
2. To re-elect Mr. B.C.B. Newman as a Director.
3. To re-appoint Saffery Champness as auditor and to authorise the Directors to determine their remuneration.

The minimum percentage of voting rights that is required for resolutions 4 - 5 to be passed is 75% plus one vote of all votes cast on the resolution.

4. 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 Listing Requirements of the JSE which may be applicable from time to time.

continued...

Notice of Annual General Meeting (continued)

Marshall Monteagle PLC

5. 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 38-39.

Important dates to note:

	Date
Record date for receipt of notice purposes	27 th January 2017
Integrated annual report posted on	6 th February 2017
Last day to trade in order to be eligible to participate in and vote at the annual general meeting.	28 th March 2017
Record date for voting purposes "voting record date"	31 st March 2017
Last day to lodge forms of proxy for the annual general meeting	6 th April 2017
Annual general meeting at 12.00	10 th April 2017
Results of annual general meeting released on SENS	10 th April 2017

37 Esplanade,
St. Helier, Jersey, JE2 3QA
24th January 2017

By order of the Board
CITY GROUP P.L.C.
Company Secretary

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 6th April 2017. 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 6th April 2017 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 2017

- (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 46.

King III checklist

Principle number	Description	Compliance
1.1	The Board should provide effective leadership based on an ethical foundation.	✓
1.2	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	✓
1.3	The Board should ensure that the Company's ethics are managed effectively.	✓
2.1	The Board should act as the focal point for and custodian of corporate governance	✓
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	✓
2.3	The Board should provide effective leadership based on an ethical foundation.	✓
2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	✓
2.5	The Board should ensure that the Company's ethics are managed effectively.	✓
2.6	The Board should ensure that the Company has an effective and independent Audit Committee. (See 3 below)	✓
2.7	The Board should be responsible for the governance of risk.	See 4 below
2.8	The Board should be responsible for information technology (IT) governance.	See 5 below
2.9	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	See 6 below
2.10	The Board should ensure that there is an effective risk-based internal audit.	See 7 below
2.11	The Board should appreciate that stakeholders' perceptions affect the Company's reputation.	See 8 below
2.12	The Board should ensure the integrity of the company's integrated report.	See 9 below
2.13	The Board should report on the effectiveness of the Company's system of internal controls.	See 7 & 9 below
2.14	The Board and its directors should act in the best interests of the Company.	✓
2.15	The Board should consider business rescue proceeding or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act.	N/A
2.16	The Board should elect a chairman of the Board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of Chairman of the Board.	✓
2.17	The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority.	✓
2.18	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	✓
2.19	Directors should be appointed through a formal process.	There is no nomination committee: when the need arises the Board will act as such.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	No formal process: directors undertake their own continuing professional education and development programmes
2.21	The Board should be assisted by a competent, suitably qualified and experienced company secretary.	✓

2.22	The evaluation of the Board, its committees and the individual directors should be performed every year.	✓
2.23	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	✓
2.24	A governance framework should be agreed between the group and its subsidiary boards.	✓
2.25	Companies should remunerate directors and executives fairly and responsibly.	✓
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	✓
2.27	Shareholders should approve the Company's Remuneration Policy.	✓
3.1	The Board should ensure that the Company has an effective and Independent Audit Committee.	✓
3.2	Audit Committee members should be suitably skilled and experienced independent non-executive directors.	✓
3.3	The Audit Committee should be chaired by an independent non-executive director.	✓
3.4	The Audit Committee should oversee integrated reporting.	✓
3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	No coordination required, only assurance is from external auditors
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	✓
3.7	The Audit Committee should be responsible for overseeing of internal audit.	N/A
3.8	The Audit Committee should be an integral component of the risk management process.	✓
3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	✓
3.10	The Audit Committee should report to the Board and shareholders on how it has discharged its duties.	✓
4.1	The Board should be responsible for the governance of risk.	✓
4.2	The Board should determine the levels of risk tolerance.	✓
4.3	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities.	✓
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	✓
4.5	The Board should ensure that risk assessments are performed on a continual basis.	The decentralised structure and diverse nature of the Group makes common policies across the Group inappropriate.
4.6	The Board should ensure that the frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	
4.7	The Board should ensure that management considers and implements appropriate risk responses.	
4.8	The Board should ensure continual risk monitoring by management.	Material risks are kept under review by subsidiary management and reported to the board
4.9	The Board should receive assurance regarding the effectiveness of the risk management process.	
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	✓

King III checklist (continued)

5.1	The Board should be responsible for information technology (IT) governance.	The decentralised structure and diverse nature of the Group makes common policies across the Group inappropriate
5.2	IT should be aligned with the performance and sustainability objectives of the company.	
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	
5.4	The Board should monitor and evaluate significant IT investments and expenditure.	
5.5	IT should form an integral part of the Company's risk management.	
5.6	The Board should ensure that information assets are managed effectively.	
5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities.	
6.1	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓
6.2	The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.	The board has general knowledge; detailed individual knowledge is not achievable due to the breadth of the group's operations.
6.3	Compliance risk should form an integral part of the Company's risk management process.	✓
6.4	The Board should delegate to management the implementation of an effective compliance framework and processes.	✓
7.1	The Board should ensure that there is an effective risk-based internal audit.	The decentralised structure and diverse nature of the Group makes an internal audit function inappropriate
7.2	Internal audit should follow a risk-based approach to its plan.	
7.3	Internal audit should provide a written assessment of the effectiveness of the Company's system of internal control and risk management.	
7.4	The Audit Committee should be responsible for overseeing internal audit.	
7.5	Internal audit should be strategically positioned to achieve its objectives.	
8.1	The Board should appreciate that stakeholders' perception affects a Company's reputation.	✓
8.2	The Board should delegate to management to pro-actively deal with stakeholder relationships.	✓
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	✓
8.4	Companies should ensure the equitable treatment of shareholders.	✓
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	✓
8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	✓
9.1	The Board should ensure the integrity of the Company's integrated report.	✓
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	✓
9.3	Sustainability reporting and disclosure should be independently assured.	✓

MARSHALL MONTEAGLE PLC

Registered Office: 3rd Floor, 37 Esplanade, St. Helier, Jersey, JE2 3QA
(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 3rd Floor, 37 Esplanade, St. Helier, Jersey, JE2 3QA on Monday, 10th April 2017 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 th September 2016.			
2.	To re-elect Mr. B.C.B. Newman as a Director.			
3.	To re-appoint Saffery Champness as auditor and to authorise the Directors to determine their remuneration.			
4.	To grant the Directors general authority to issue shares for cash.			
5.	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 3rd Floor, 37 Esplanade, St. Helier, Jersey, JE2 3QA not less than forty-eight hours before the time fixed for the meeting being **12 noon on 6th April 2017**. 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 6th April 2017**, 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 2017

- (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 special attorney 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 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.
- (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 or Representation to be produced at the Annual General Meeting.



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