



Bowler Metcalf Limited

REG NO : 1972/005 REG NO : 1972/005921/06

ALPHA CODE : BCF

ISIN CODE : ZAE000030797

PROVISIONAL CONDENSED REPORT OF THE AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2019 AND DIVIDEND DECLARATION

R mil		30 June 19	% Change	30 June 18
CONDENSED STATEMENT OF FINANCIAL POSITION				
Non-current Assets	Notes	175.2		169.7
Property, plant & equipment	1	161.8		158.0
Investment properties	2	5.1		5.6
Intangible assets		4.9		4.9
Deferred tax	3	3.4		1.2
Current Assets		579.1		416.4
Inventories		79.1		86.6
Trade and other receivables		101.7		119.5
Prepayments		3.1		5.7
Other Investments	4	10.3		-
Cash and cash equivalents	5	382.9		202.9
Taxation		2.0		1.7
Assets held for sale		-		298.2
Investment in associate	6	-		233.4
Related party loans	6,8	-		64.8
Total Assets		754.3	- 15	884.3
Total Equity		679.1	- 11	766.1
Non-current liabilities		24.7		61.0
Deferred Tax	3	24.7		61.0
Current Liabilities		50.5		57.2
Trade and other payables		50.1		56.0
Taxation		0.4		1.2
Total Equity & Liabilities		754.3		884.3

R mil		30 June 19	% Change	30 June 18
CONDENSED STATEMENT OF COMPREHENSIVE INCOME				
	Notes			
Continuing operations				
Revenue	9	542.1	- 6	577.3
Other income		0.3		0.5
Operating costs		(478.8)		(481.9)
Profit from operations		63.6	- 34	95.9
Net finance income		36.4		13.2
Net profit before tax		100.0		109.1
Taxation		(28.1)		(30.7)
Total profit - continuing operations		71.9	- 8	78.4
Discontinued operations				
Share of profit in discontinued operations		-		22.7
- share of post-tax profit before impairments		-		13.3
- net finance income from associate		-		9.4
Profit on disposal of associate		180.1		-
Reversal of impairment of investment in associate		-		57.7
Net profit before tax		180.1		80.4
Taxation		(40.1)		(18.5)
Total profit - discontinued operations		140.0		61.9
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF PARENT		211.9	+151	140.3
Earnings diluted earnings per share (c)		259.41	+152	171.08
Earnings & diluted earnings per share (c)				
- continuing operations		88.09		95.50
- discontinued operations		171.32		75.58

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Retained Earnings	Treasury Shares	Total Equity
30 June 17	21.5	675.5	(35.7)	661.3
Comprehensive income	-	140.3	-	140.3
Dividends paid	-	(35.4)	-	(35.4)
Cancellation of treasury shares	(5.5)	-	5.5	-
30 June 18	16.0	780.4	(30.2)	766.2
Purchase of treasury shares	-	-	(19.0)	(19.0)
Cancellation of treasury shares	(16.0)	(3.1)	19.1	-
Comprehensive income	-	211.9	-	211.9
Dividends paid	-	(280.0)	-	(280.0)
30 June 19	-	709.2	(30.1)	679.1

HEADLINE EARNINGS RECONCILIATION

	30 June 19	% Change	30 June 18
HEADLINE EARNINGS (R mil)			
Earnings attributable to parent:			
Continuing operations	71.9		78.4
Disposal of assets net of tax	-		(0.1)
- gross	-		(0.1)
- tax	-		-
Headline earnings - continuing operations	71.9	- 8	78.3
Earnings attributable to parent:			
Discontinued operations	140.0		62.0
Reversal of impairment of investment in associate net of tax	-		(44.8)
- gross	-		(57.7)
- tax	-		12.9
Reversal of profit on disposal of associate net of tax	(140.0)		-
- reversal	(180.1)		-
- tax	40.1		-
Headline earnings - discontinued operations	(0.0)		17.2
Headline earnings (R'mil)	71.9	- 25	95.5
HEADLINE EARNINGS PER SHARE (HEPS)			
Earnings attributable to parent:			
Continuing operations	88.09		95.50
Disposal of assets net of tax	0.01		(0.14)
HEPS - continuing operations (cents)	88.10	- 8	95.36
Discontinued operations	171.32		75.58
Reversal of impairment of investment in associate net of tax	-		(54.60)
Reversal of profit on disposal of associate net of tax	(171.32)		-
HEPS - discontinued operations	-		20.98
Basic & diluted headline earnings per share (c)	88.10	- 24	116.34

	30 June 19	30 June 18
NOTES TO THE CONDENSED FINANCIAL STATEMENTS (R mil)		
<u>1. Property, Plant and Equipment</u>		
Land and buildings		
- at cost less depreciation	19.8	23.1
- director's valuation	169.6	196.7
<u>2. Investment Property</u>		
- at cost less depreciation	5.1	5.6
- director's valuation	32.8	41.5
<u>3. Deferred Taxation</u>		
The movement in the deferred taxation liability from the previous year was due to the tax consequences on the finalisation of the disposal of the investment in associate.		
<u>4. Other Investments</u>		
Cash unit trust	10.3	-
The fund is an actively managed cash fund with the underlying investments being mainly floating rate notes and cash, which can be liquidated within 48 hours.		
The fair value of the investment is derived from the market value of the underlying shares in the unit trust portfolio (as traded on the stock exchange), but not traded itself.		
The investment has been classified as a level 2 fair value in terms of the hierarchy.		
<u>5. Cash and Cash Equivalents</u>		
The proceeds on the disposal of the investment in associate and the related loan repayment, net of tax and special dividend paid was the main contributors to the increase in cash and cash equivalents from last year.		
<u>6. Disposal of associate investment in SoftBev (Pty) Ltd</u>		
During the period under review, the disposal of the 41.4% associate investment in SoftBev (Pty) Ltd was completed. Final proceeds on the disposal were received on 15 November 2018. The loan receivable amounting to R64.8m at the June 2018 year end was fully repaid on 15 August 2018.		
Gross proceeds on disposal	418.5	-
Transaction cost	(1.4)	-
Operating cost associated with the disposal of the investment in associate	(3.7)	-
Net proceeds on disposal	413.4	-
Carrying value of investment classified as held for sale	233.3	-
Profit before tax realised on disposal of associate	180.1	-
Taxation	(40.1)	-
Net profit on disposal of investment in associate	140.0	-
<u>7. Related Party Transactions</u>		
Transactions		
Subsidiary of associate		
Quality Beverages 2000 (Pty) Ltd		
- revenue	6.3	51.5
- rental income	0.8	4.8
Associate		
SoftBev (Pty) Ltd		
- finance income	-	9.4
The related party relationship with SoftBev (Pty) Ltd and Quality Beverage 2000 (Pty) Ltd ceased during the year. (Refer note 6)		
Directors emoluments	13.2	8.6

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (R mil)
CONTINUED

30 June 19

30 June 18

8. Related Party Balances

Associate

SoftBev (Pty) Ltd

- loans receivable

-

64.8

9. Disaggregate Revenue Sources

Plastic Packaging and Related Products

Property Leases

536.6

572.0

5.5

5.2

542.1

577.3

R mil

CONDENSED SEGMENTAL ANALYSIS

	Plastic Packaging	Discontinued Beverages	Property	Holdings	Eliminations	Total
2019						
Continuing Operations						
Revenue	536.6	-	5.5	-	-	542.1
Profit on disposal of investment in associate	-	180.1	-	-	-	180.1
Intersegment revenue	-	-	20.1	-	(20.1)	-
Other income	19.5	-	-	-	(19.2)	0.3
Expenses	(484.8)	-	(12.9)	(1.2)	20.1	(478.8)
Operating income	71.3	180.1	12.7	(1.2)	(19.2)	243.7
Net finance income	0.4	-	-	36.0	-	36.4
Taxation	(14.6)	(40.1)	(3.8)	(9.7)	-	(68.2)
Profit for the year - continuing operations	57.1	140.0	8.9	25.1	(19.2)	211.9
Attributable to parent	57.1	140.0	8.9	25.1	(19.2)	211.9
Total assets	646.9	-	42.6	384.8	(320.0)	754.3
Total liabilities	95.3	-	0.8	303.3	(324.2)	75.2
2018						
Continuing Operations						
		Held for Sale				
Revenue	572.0	-	5.2	-	-	577.2
Reversal of impairment on investment	-	57.7	-	-	-	57.7
Intersegment revenue	-	-	19.0	-	(19.0)	-
Other income	3.0	-	-	-	(2.4)	0.6
Expenses	(493.9)	-	(6.7)	(0.5)	19.0	(482.1)
Share of profit of associate	-	13.3	-	-	-	13.3
Operating income	81.1	71.0	17.5	(0.5)	(2.4)	166.7
Net finance income	3.6	9.4	-	9.7	-	22.7
Taxation	(23.2)	(18.5)	(4.9)	(2.6)	0	(49.2)
Profit for the year	61.5	61.9	12.6	6.6	(2.4)	140.2
Attributable to parent	61.5	61.9	12.6	6.6	(2.4)	140.2
Total assets	663.6	298.2	100.2	197.4	(375.0)	884.4
Total liabilities	150.3	38.5	1.5	315.4	(387.5)	118.2

R mil

CONDENSED STATEMENT OF CASH FLOWS

Notes

30 June 19

30 June 18

Operating Activities

Profit before tax		280.1	189.4
Non-cash items	*	(158.0)	(55.6)
Working capital changes		17.1	(5.0)
Taxation paid		(107.8)	(31.9)
Dividends paid		(280.0)	(35.4)

Investing Activities

Property plant and equipment		(20.7)	(24.0)
Proceeds on disposal of associate	6	413.4	-
Proceeds on disposal of assets		0.1	1.5
Loan receipt	6,8	64.8	12.0
Investment in cash unit trust	4	(10.0)	-

Financing Activities

Treasury shares - acquisitions		(19.0)	-
--------------------------------	--	---------------	---

Net Cash Flow

Opening balance		202.9	151.9
-----------------	--	--------------	-------

Closing balance

		382.9	202.9
--	--	--------------	-------

Comprising:

Cash & cash equivalents		382.9	152.0
-------------------------	--	--------------	-------

* - The increase in the non-cash items relates primarily to the sale on the disposal of the associate.

ADDITIONAL INFORMATION

Ordinary dividend/share paid (c)		36.54	43.18
Special dividend/share paid (c)		305.00	-
Ordinary dividend/share proposed (c)		40.00	42.02
Basic dividend cover (times)		2.20	2.27
Weighted shares in issue (mil)		81.689	81.995
Capital expenditure (Rmil)		20.69	23.97
Capital commitments (Rmil)		2.21	6.04

%
Change

- 5

- 14

- 63

CEO'S COMMENTARY

"The harder you work, the luckier you get" – this popular phrase cited by the SA golfing maestro Gary Player served me as a regular reminder on how to manage a good manufacturing business in the past. When you land in the rough that practice is the savior, although the score still suffers you soldier on, and so it has been with the Company this past financial year – as with so many other South African businesses too. The highly successful completion of the SoftBev project was followed by a particularly challenging time in the plastics business burdened by a crippling strike, costly load shedding periods, a R4,7 mil tank write off, unrecoverable material price surges and a deflated order book. These events have impacted earnings negatively. In short, the SoftBev earnings bolstering performance of 171.32 cents per share, was a welcome bright star in a year of slumped turnover (6.1%), extraordinary high operating costs, tightly squeezed margins resulting in a 12.0% decrease in operating profit in the continuing plastics business.

The volatility of the South African manufacturing space is likely to remain a regular occurring part of our life for a few years to come. This is where a new level of smartness must be the order of the day. During the past quarter, the business has stabilised at a lower base to prior year. Significant reframing of the cost base of the business has received intense focus after the SoftBev deal finalisation. The key objectives are growth, mainly organic and with partners valuing the integrated supply chain. Strategically we are well entrenched in the personal care, chemical and food packaging sectors.

Following our initial strategic work of critically assessing our current property portfolio with future operational needs, the property valuations have been revised after carefully considering higher capitalisation rates that better reflect marketability of the properties in the current economic climate and escalating business costs that impacted the expense ratios applied in the valuation calculation.

Accordingly, our valuation of properties has been negatively impacted by 15%

Worldwide, plastic raw material usage has continued to grow at approximately 4% annually since 2008. Globally this trend is not forecasted to change materially in the foreseeable future. For the environment this poses significant challenges and it is with relief that I have evidenced an increased awareness by consumers and brand holders in our country to become purposeful in influencing consumer behaviour. I consider behaviour to lie at the heart of the ecological consequences. This has led to noticeably increased product discussions embracing the principles of "Reduce, Recycle, Reuse". Within this development lies opportunity to invest in Research and Development (R&D) to be part of and influential in this consciousness move. I admire the tenacious work by PETCO and POLYCO, amongst others, in bringing solutions and awareness to the population in a pragmatic way. I admire the tenacious work by PETCO and POLYCO, amongst others, in bringing solutions and awareness to the population in a pragmatic way.

Notwithstanding the significant challenges facing the South African business and social environment, I remain cautiously optimistic for the medium term prospects of this country. Our business has been presented with numerous opportunities in recent months and there have been some encouraging developments. Each has been scrutinised carefully, despite the diversions and delays in the VUCA environment. We have made progress in firming up on investment requirements. The aforementioned platform of risks clearly influences returns on investment significantly more than in the past. Nonetheless investments will be channelled into recapitalisation of equipment and moulds, to build specialised capacity in a changing market, for R&D in value add propositions and to extend infrastructure in buildings. The undervalued share price has offered a good investment opportunity by continuing the buyback of the Company shares. This spend is likely to be around R40 million.

The now undivided resourcefulness of the executive team is directed towards long term key focus areas of partnership development with a vibrant new emerging customer base, process and product innovation, business diversification and lean manufacture. I expect this process to continue throughout the current accounting period, evidencing results in 2020 and beyond.

I am grateful for the unwavering support by customers. I am proud of the courage and resilience of our teams to have managed an uninterrupted supply of products during very difficult and violent strikes. The board's trust made it possible to remain focused and tactically expedient. I thank Brian Frost for considering to delay his retirement from the board at our request while we settle this stabilising phase in our business cycle.



P.F. SASS
Chief Executive Officer

BASIS OF PREPARATION AND AUDIT REPORT

The condensed consolidated results have been prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards and the Financial Pronouncements as issued by the Financial Reporting Standards Council. They contain the information required by IAS 34 Interim Financial Reporting and are in compliance with the JSE Listing requirements and the Companies Act of South Africa.

Mazars, the group's independent auditor, has audited the annual financial statements for the year end 30 June 2019 and has expressed an unqualified audit opinion thereon. This results announcement, itself not audited, is extracted from the audited Annual Financial Statements (AFS). The AFS will be posted by 20 September 2019 and the Annual Financial Statements and audit report will be made available on that day on the Company's website at www.bowlermetcalf.co.za, and will be available for inspection at the company's registered office on that day. The auditor's report does not necessarily report on all of the information contained in this condensed report. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office. The directors take full responsibility for this report correctly extracted from the underlying audited AFS.

These condensed consolidated results were prepared by Mr AC September CA (SA) in his capacity as group financial manager.

The accounting policies and methods of computation applied in the preparation of these condensed consolidated results are in terms of IFRS and consistent with those applied in the most recently issued audited annual financial statements except for the adoption of IFRS 9 and IFRS 15 as discussed below:

Standards and interpretations effective and adopted in the current year

The group adopted IFRS 9 and IFRS 15 in the current financial period for the first time at the mandatory adoption date. No standard, amendment or interpretation has been early adopted by the group. The comparative information has not been restated, and complies with the requirements of IAS 39 *Financial Instruments: recognition and measurement* and IAS 18 *Revenue*. Other than the changes set out below, the accounting policies are consistent with those applied in the prior financial period and did not result in any prior year restatements.

IFRS 9 Financial instruments

1. Financial assets :

a. Classification – The group earns revenue from the sale of plastic manufactured goods. Trade and other receivables comprise trade receivables, prepayments and deposits and value added tax. The financial instruments included in this balance have been classified and measured at amortised cost. Trade and other receivables are held by the group in order to collect contractual cash flows in terms of the underlying agreement, and they give rise to cash flows on specified dates that are solely payments of principal and interest amounts that are outstanding.

b. Recognition and measurement – Trade and other receivables are initially measured at fair value. The group makes use of the practical expedient in IFRS 15.

c. Impairment % write off – The group recognises a loss allowance to the value of the lifetime expected credit losses for trade receivables under the simplified approach as envisaged by IFRS 9, excluding prepayments, deposits and value-added tax. Management calculates the expected credit losses on revenue and receivables based on a provision matrix. The group will write off the underlying financial assets under the following circumstances: When business rescue or liquidation proceedings have been finalized and management has assessed that the customer is not in a financial position to pay the outstanding debt.

d. Default – The group considers that a default has occurred when a debtor is more than 90 days past due unless it has reasonable and supportable information that demonstrates otherwise. This is the industry norm.

2. Financial liabilities :

a. The classification and measurement of financial liabilities is consistent with the measurement principles under IAS 39. Financial liabilities comprise trade and other payables and accruals.

The adoption of IFRS 9, had no material impact on the opening balances of the financial assets and financial liabilities, but resulted in additional disclosures in the financial statements.

IFRS 15 Revenue from contract with

IFRS 15 is a new standard that establishes a single, comprehensive and robust framework for the recognition, measurement and disclosure of revenue.

Sale of goods

IFRS 15 Revenue from contracts with customers has not had an impact financial statements of the group where revenue consists of the sale of goods. General payment terms are 30 to 60 days from statement date. Payment terms are agreed with customers based on the underlying sale agreements. Actual payment terms are 62 days on average. General payment terms are less than 12 months, and therefore there is no significant financing component as interest is charged on all late payments. The group is not exposed to any amounts of variable consideration.

The group recognises revenue on the sale of goods and transport at the same time, upon delivery, as management considers delivery as the point that control of the goods is transferred to the customers and that the delivery obligation is fulfilled. Under the criteria of IAS 18, revenue had been recognised when risks and rewards transfer (upon delivery), which is similar to the new principles adopted in IFRS 15. The company recognises revenue at a point in time, when the goods are delivered to the customer.

The adoption of IFRS 15 did not impact the group's financial performance or results. It has resulted in additional disclosures in the financial statements, specifically the revenue note.

Standards and interpretations not yet adopted by the group

IFRS 16 Leases

IFRS 16 provides the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single accounting model for lessees building on the principle that all leases result in the lessee being entitled to use an asset and, if lease payments are made over time, obtaining financing. The standard eliminates the distinction of operating and financing leases for lessees resulting in a more faithful representation of the lessee's assets and liabilities and improved transparency regarding the lessee's financial leverage and capital employed. Lessor accounting is left largely unchanged from its predecessor (IAS 17 Leases). The impact of the adoption of IFR 16 is estimated at an increase in the right of use asset, calculated for the 2019 financial year, amounting to R7,734,096, with an increase of R7,734,793 in the lease liability.

CASH DIVIDEND DECLARATION

A final gross cash dividend, as defined by the Income Tax Act, of 25.00 cents per share ("cps") for the year ended 30 June 2019 (2018: 21.54 cps) has been declared and is payable to shareholders on Monday, 4 November 2019. The last day to trade will be Tuesday, 29 October 2019, the ex date is Wednesday, 30 October 2019 and the record date will be Friday, 1 November 2019. Share certificates may not be dematerialised or re-materialised between Wednesday, 30 October 2019 and Friday, 1 November 2019, both days inclusive.

This dividend will be made from income reserves. The gross dividend is 25.00cps. Dividend Withholding Tax (DWT) is 20%. The net local cash dividend to shareholders liable for DWT will therefore be 20.00 cps.

Number of shares in issue at the date of declaration is 84 773 327 shares.

Unless otherwise requested in writing, individual dividend cheques of less than R50 will not be paid but retained in the company's unclaimed dividend account. Accumulated unpaid dividends in excess of R200 may be claimed in writing from the Transfer Secretaries.

SUBSEQUENT EVENTS

Subsequent to year end, the Group, through its subsidiary, Bowler Plastics (Pty) Ltd, continued its repurchase of treasury shares. A total of 2.6m shares representing 3.1% of the issued share capital of the Group was acquired since year end. The shares were then issued as a dividend in specie to Bowler Metcalf Ltd, and the securities cancelled.

COMPANY TAX NUMBER

9775130710

ANNUAL REPORT

The Annual Report will be posted by 20 September 2019 and the Annual Financial Statements and audit report will be made available on that day on the Company's website at www.bowlermetcalf.co.za, and will be available for inspection at the company's registered office on that day. The thirty first annual general meeting of shareholders (AGM) will be held at the company's head office, Harris Drive, Ottery, Cape Town at 09:00 on Thursday, 7 November 2019. The record date for purposes of determining which shareholders are entitled to participate and vote at the AGM is Friday, 1 November 2019. The last day to trade in order to be eligible to vote at the AGM will accordingly be Tuesday, 29 October 2019.

BJ Frost (Non-Exec Chairman)
PF Sass (Chief Executive Officer)
Cape Town
12 September 2019

Prepared by: AC September CA(SA)

REGISTERED AUDITOR

Mazars - Partner Y Ferreira - Registered Auditor
Mazars House, Rialto Road,
Grand Moorings Precinct, Century City, 7441

SPONSOR

Arbor Capital Sponsors (Pty) Ltd
20 Stirrup Lane, Woodmead Office Park
c/o Woodmead Drive & Van Reenen Avenue,
Woodmead, 2157