Bowler Metcalf Limited

REG NO : 1972/005921/06 ALPHA CODE : BCF ISIN CODE : ZAE000030797

CONDENSED UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 AND DIVIDEND DECLARATION

HEPS Continued Operations up 1% year on year

15.00c Interim Dividend per share

	R mil 31-12-18	% Change	R mil 30-06-18
CONDENSED STATEMENT OF FINANCIAL POSITION			
Non-current Assets	**166.9**	-2	169.7
Property, plant & equipment	**155.5**		158.0
Investment properties	**5.3**		5.6
Intangible assets	**4.9**		4.9
Deferred taxation	**1.2**		1.2
Current Assets	**647.3**	55	416.5
Inventories	**93.8**		86.6
Trade and other receivables	**114.3**		119.6
Prepayments	**7.2**		5.7
Cash and cash equivalents	**428.5**		202.9
Taxation	**3.5**		1.7
Assets Held for Sale	**-**		298.1
Investment in associate	**-**		233.3
Related party loans	**-**		64.8
Total Assets	**814.2**	-8	884.3
Total Equity	**674.1**	-12	766.1
Non-current Liabilities	**21.7**	-64	61.0
Deferred taxation	**21.7**		61.0
Current Liabilities	**118.4**	107	57.2
Trade and other payables	**36.0**		56.1
Taxation	**82.4**		1.1
Total Equity & Liabilities	**814.2**	-8	884.3

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2018	**31-12-18 R mil**	**%** Change	31-12-17 R mil
Continuing operations			
Revenue	**267.7**	-6	283.8
Other income	**0.2**		0.4
Operating costs	**(151.1)**	1	(152.7)
Depreciation	**(11.5)**		(9.8)
Rent and property finance	**(2.9)**		(3.6)
Staffing Cost	**(70.5)**		(72.8)
Profit from operations	**31.9**	-30	45.3
Net finance income	**19.2**		6.7
Profit before tax	**51.1**	-2	52.0
Taxation	**(14.3)**		(15.5)
Profit for the period - continuing operations	**36.8**	1	36.5
Discontinued operations			
Share of profit of associate	**-**		13.0
Profit on disposal of investment in associate	**180.1**		-
Net finance income from associate	**-**		4.8
Profit before tax	**180.1**	912	17.8
Taxation	**(41.2)**		(4.2)
Profit for the period - discontinued operations	**138.9**	921	13.6
Attributable to equity holders of parent	**175.7**	251	50.1

NOTES TO THE CONDENSED STATEMENT OF COMPREHENSIVE INCOME	31-12-18	31-12-17
	R mil	R mil
Related party transactions		
SoftBev (Pty) Ltd (associate)		
- finance income	**-**	4.8
Quality Beverages 2000 (Pty) Ltd (other related party)		
- revenue	**6.3**	20.7
- rental income	**0.8**	2.6
Receipt of related party loan receivable	**64.8**	0.1

The related party relationship with SoftBev (Pty) Ltd and Quality Beverage 2000 (Pty) Ltd ceased during the year. (Refer note on disposal of investment in associate.)

Disaggregate revenue sources		
Plastic Packaging and Related Products	**264.9**	281.2
Property Leases	**2.8**	2.6
	267.7	283.8

Disposal of associate investment in SoftBev (Pty) Ltd

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 paid on 15 August 2018.

	R mil	R mil
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	**(41.2)**	-
Net profit on disposal of investment in associate	**138.9**	-

CONDENSED STATEMENT OF CHANGES IN EQUITY (R mil)

	Share Capital	Retained Earnings	Treasury Shares	Total Equity
Balance as at 30 June 2017	21.5	675.3	(35.6)	661.2
Cancellation of treasury shares	(5.4)	-	5.4	-
Comprehensive profit for the year to 30 June 2018	-	140.3	-	140.3
Dividends paid	-	(35.4)	-	(35.4)
Balance as at 30 June 2018	16.1	780.2	(30.2)	766.1
Comprehensive profit for the six months ending 31 December 2018	-	175.7	-	**175.7**
Dividends paid	-	(267.7)	-	**(267.7)**
Balance as at 31 December 2018	**16.1**	**688.2**	**(30.2)**	**674.1**

CONDENSED STATEMENT OF CASH FLOWS	R mil 31-12-18	% Change	R mil 31-12-17
Operating Activities	**(242.3)**		18.0
Profit before tax	**231.2**		69.8
Non-cash items * #	**(168.4)**		(3.2)
Working capital changes	**(22.0)**		(8.6)
Dividends paid	**(267.7)**		(18.9)
Taxation paid	**(15.4)**		(21.1)
Investing Activities	**467.9**		(10.8)
Property, plant and equipment - additions	**(8.8)**		(7.6)
Proceeds on disposal of property, plant and equipment	**-**		0.1
Net proceeds on disposal of associate held for sale	**413.4**		-
Movement in prepayments	**(1.5)**		(3.3)
Receipts from related party loans #	**64.8**		12.0
Advances on related party loans #	**-**		(12.0)
Net increase in cash and cash equivalents	**225.6**		7.2
Opening balance	**202.9**		152.0
Closing balance	**428.5**		159.2
Comprising:			
Cash & cash equivalents	**428.5**		159.2
Net cash flows from discontinued operations included in above cash flow			
Operating Activities	**-**		0.6
Investing Activities	**478.2**		0.1
	478.2		0.7
***Non-cash items**			
Profit on disposal of investment in associate	**(180.1)**		-
Depreciation	**11.5**		9.8
Share of profit of associate	**-**		(13.0)
Other	**0.2**		-
	(168.4)		(3.2)

- Refer note on restatement

HEADLINE EARNINGS RECONCILIATION

	R mil 31-12-18	% Change	R mil 31-12-17
Continuing operations			
Profit for the period - continuing operations	**36.8**		36.5
Net profit on disposal of plant & equipment	**-**		(0.1)
Profit on disposal	**-**		(0.1)
Taxation	**-**		-
Headline earnings - continuing operations	**36.8**	1	36.4
Discontinued operations			
Profit for the period from discontinued operations	**138.9**		13.6
Net profit on disposal of investment in associate	**(138.9)**		-
Profit on disposal of investment in associate	**(180.1)**		-
Taxation	**41.2**		-
Headline earnings - discontinued operations	**-**	-100	13.6
Headline earnings - attributable to holders of the parent	**36.8**	-26	50.0

BASIC & DILUTED HEADLINE EARNINGS PER SHARE (c)

	31-12-18 CPS		31-12-17 CPS
Earnings & diluted earnings per share (c)			
- Continuing operations	**44.9**	1	44.5
- Discontinued operations	**169.4**		16.5
	214.3	251	61.0

HEADLINE EARNINGS PER SHARE RECONCILIATION (c)

Continuing operations			
Earnings per share	**44.9**		44.5
Net profit on disposal of plant & equipment	**-**		(0.1)
Basic & diluted headline earnings per share-continuing operations	**44.9**	1	44.4
Discontinued operations			
Earnings per share	**169.4**		16.5
Net profit on disposal of investment in associate	**(169.4)**		-
Basic & diluted headline earnings per share-discontinued operations	**-**		16.5
Basic & diluted headline earnings per share - attributable to holders of the parent	**44.9**	-26	60.9

CONDENSED SEGMENTAL ANALYSIS (Rmil)

	Plastic Packaging	Discontinued Beverages	Property Investment	Holdings	Eliminations	Total
Revenue						
Jul-Dec 18	**264.9**	**-**	**2.8**	**-**	**-**	**267.7**
- total revenue	264.9	-	12.9	-	-	277.8
- intersegment			(10.1)	-	-	(10.1)
Jul-Dec 17	281.2	-	2.6	-	-	283.8
- total revenue	281.2	-	12.1	-	-	293.3
- intersegment	-	-	(9.5)	-	-	(9.5)
Operating Profit						
Jul-Dec 18	**46.6**	**180.1**	**4.4**	**(0.7)**	**(18.4)**	**212.0**
- continuing operations	46.6	-	4.4	(0.7)	(18.4)	31.9
- discontinued operations	-	180.1	-	-	-	180.1
Jul-Dec 17	38.2	13.0	8.5	(0.4)	(1.0)	58.3
- continuing operations	38.2	-	8.5	(0.4)	(1.0)	45.3
- discontinued operations	-	13.0	-	-	-	13.0
Attributable Profit						
Jul-Dec 18	**38.9**	**138.9**	**3.2**	**13.1**	**(18.4)**	**175.7**
- continuing operations	38.9	-	3.2	13.1	(18.4)	36.8
- discontinued operations	-	138.9	-	-	-	138.9
Jul-Dec 17	29.1	10.1	6.1	5.8	(1.0)	50.1
- continuing operations	29.1	-	6.1	2.3	(1.0)	36.5
- discontinued operations	-	10.1	-	3.5	-	13.6
Total Assets		**Held for Sale**				
31 Dec 18	**683.6**	**-**	**102.9**	**405.7**	**(378.0)**	**814.2**
- total assets	**374.3**	**-**	**34.2**	**405.7**	**-**	**814.2**
- intersegment	**309.3**	**-**	**68.7**	**-**	**(378.0)**	**-**
30 Jun 18	663.6	298.2	100.1	197.4	(375.0)	884.3
- total assets	348.6	298.2	35.2	197.4	-	879.4
- intersegment	315.0	-	64.9	-	(375.0)	4.9
Capital Expenditure						
Jul-Dec 18	**5.0**	**-**	**3.8**	**-**	**-**	**8.8**
Jul-Dec 17	7.3	-	0.3	-	-	7.6

ADDITIONAL INFORMATION	31-12-18	% Change	31-12-17
Ordinary dividend / share paid (c)	**21.50**	-7	23.10
Special dividend / share paid (c)	**305.00**		-
Ordinary dividend / proposed (c)	**15.00**	-27	20.48
Dividend cover (times) from continuing operations	**2.99**		2.17
Weighted shares in issue (mil)	**82.00**		82.00
Capital commitments (Rmil)	**5.70**		10.80
Closing share price (c)	**790**		750

CEO'S COMMENTARY

A bittersweet half year is reflected on the one hand by the positive effects of the finalisation of the SoftBev deal. In the end, the final deal surpassed our high road predictions – time and effort well spent. The special dividend pay-out of 305 cps has found much favour with investors. R17.1m of this special dividend is included in the Operating and Attributable Profits of the Plastics Packaging Segment. Sufficient liquidity is retained in the business for an intensified focus on the continuing operations in which expansion possibilities are actively pursued in consonance with the proven expertise and required alignment.

On the other hand, the packaging business has endured the combined negative effects of subdued sales (6% decline) emanating from poor retail performances and down buying, rampant raw material price increases (at times exceeding 20%) driven by foreign exchange rate volatility and sadly, the most protracted and violent industrial action yet witnessed in our industry. The combined effects have constrained the business performance. The correction and return to stable performance will be the key focus in the second half. The business remains focussed on profitable niche products within the FMCG markets.

The NUMSA led industrial action in the industry has affected various converters and their customers in different ways. Despite various contingency measures taken by the business, the situation was costly and challenging beyond normal business management demands. Bowler's Gauteng plant was particularly affected by unprecedented regional levels of violence and intimidation. The stalemate in negotiations leading to the excessive duration of the strike sets an uncomfortable precedent from an employment and an investment perspective. It can only be wished that the actions have the result of a constructive labour / business partnership for the good of the Plastics Industry and its employees in the long term.

Despite the financial effects of the above mentioned, the group posts earnings from continuing operations in line with the previous period.

BASIS OF PREPARATION

The condensed unaudited consolidated results have been prepared in accordance with and containing information required by IAS 34 Interim Financial Reporting, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in the manner required by the Companies Act (Act 71 0f 2008) and the Johannesburg Stock Exchange Listings Requirements. The condensed report has been prepared using accounting policies and methods of computation that are in terms of IFRS and which are consistent with those of the previous annual financial statements, except for the changes on adoption of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. The condensed report has not been audited or reviewed by the auditors.

RESTATEMENT OF MOVEMENT IN RELATED PARTY LOAN	R mil 31-12-17
Previously reported as	0.1
Currently reported as:	
Investing Activities	
Receipts from related party loans	12.0
Advances on related party loans	(12.0)
Included in non-cash items	
Transactional related party recharges	0.1
Total movement in related party loan	0.1

In the statement of cash flows, the cash movement in related party loan has been restated for the prior financial period to separate the receivable related party loans from the payable related party loans. The previous interpretation of the related IFRS standards allowed for the offset of these amounts at the prior reporting date. The interpretation has now been corrected in accordance with IAS7. Therefore the prior year has been restated for comparative purposes. These restatements does not impact the other statements presented.

ACQUISITIONS AND DISPOSALS

There have been no business additions during the period under review, and no other disposals apart from the disposal of the associate investment in SoftBev (Pty) Ltd.

TAXATION PAYABLE

The large increase in taxation payable emanates from the capital gains tax payable on the disposal of the associate investment in Softbev (Pty) Ltd.

DEFERRED TAXATION

The reduction in the deferred taxation liability for the period relates mainly to the conversion of the capital gains tax on the associate moving from deferred taxation payable, to short term taxation payable on the profit realised on the disposal of the investment in associate.

NEW STANDARDS AND INTERPRETATIONS

IFRS 9 Financial Instruments

Classification of financial assets

The new standard does away with the rule-based classifications for financial assets previously seen under IAS 39 and, instead, requires principle-based classifications which are driven by cash flow characteristics of the instrument and the Group business model. The measurement classes for financial assets under the new standard comprise amortised cost, fair value through profit or loss and fair value through other comprehensive

Impairment

The group was required to revise its impairment methodology under IFRS 9 for its financial assets. The group's significant financial assets consists of trade and other receivables and cash and cash equivalents. In terms of its revised methodology the group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

While the loss allowance has increased on this basis as a result of the general earlier recognition of credit losses, the impact has not been material. The group expects to provide additional disclosures in the annual report regarding the calculation of the expected credit loss and the judgements that have been made as a result of the new standard.

The group has not restated comparatives for the adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

Contract revenue

This is a new standard that establishes a single, comprehensive and robust framework for the recognition, measurement and disclosure of revenue. The group adopted the new standard on its effective date, being for years beginning on or after 01 January 2018.

Sale of goods

The group currently recognises revenue on the sale of goods on delivery, which is when control of the goods passes to the customer. An examination of the Group's terms and conditions of sale has led the group to conclude that control of the goods passes to the customer upon delivery. There has therefore been no significant impact on the recognition and measurement of revenue on the adoption of IFRS 15.

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 Group does not expect the adoption of this standard to have a material impact on its financial position or results because:

1. The Group has evaluated its leases and many of its leases meet the definition of "short term leases" and leases of low value assets that meet the exemption to be expensed as incurred in terms of IFRS 16. The group expects to make use of these exemptions where possible;
2. The premises on which the operations are conducted, are owned by the group and would therefore only result in additional disclosure under IFRS from a group perspective;
3. The group's remaining lease payments have been assessed and are not material.

ISSUE OF SHARES

There has been no new issues of ordinary shares during the period.

CASH DIVIDEND DECLARATION

Following the special dividend pay-out from the SoftBev disposal, we are proposing an ordinary interim gross cash dividend as defined by the Income Tax Act, of 15.00 cents per share ("cps") (2017: 20.48 cps) for the six months ended 31 December 2018 and is payable to shareholders on Monday, 25 March 2019. The last day to trade will be Monday, 18 March 2019. "Ex" dividend trading begins on Tuesday, 19 March 2019 and the record date will be Friday, 22 March 2019. Share certificates may not be dematerialised or re-materialised between Tuesday, 19 March 2019 and Friday, 22 March 2019, both days inclusive. Directors confirm that the solvency and liquidity test is satisfied at the date of this report.

This dividend will be made from income reserves. The gross dividend is 15.00 cps. Dividend Withholding Tax (DWT) is 20%. The net local cash dividend to shareholders liable for DWT will therefore be 12.00 cps.

The number of shares in issue at the date of declaration is 81 995 105 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.

BJ FROST (Non-Exec Chairman)
PF SASS (Chief Executive Officer)
Cape Town, 28 February 2019

Company Tax No: 9775130710
Prepared by: AC September (CA) SA

REGISTERED AUDITOR
Mazars
Partner: Yolandie Ferreira (Registered Auditor)
Mazars House, Rialto Road,
Grand Moorings Precinct, Century City, 7441

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Ltd
P.O. Box 61051, Marshalltown, 2107

SPONSORS
Arbor Capital Sponsors (Pty) Ltd
20 Stirrup Lane, Woodmead Office Park, c/o Woodmead Drive and Van Reenens Avenue, Woodmead