



# Bowler Metcalf Limited

REG NO : 1972/005921/06

ALPHA CODE : BCF

ISIN CODE : ZAE000030797

## CONDENSED PROVISIONAL REPORT OF AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2016

R mil	30 June 16	% Change	30 June 15
<b>CONDENSED STATEMENT OF FINANCIAL POSITION</b>			
<b>Non-current Assets</b>	<b>422.2</b>		405.2
Property, plant & equipment	130.7		122.4
Investment properties	6.2		6.7
Intangible assets	4.9		4.9
Investment in associates	279.6		270.4
Deferred tax	0.8		0.8
<b>Current Assets</b>	<b>401.3</b>		365.4
Related party loan	46.8		46.5
Inventories	68.8		56.9
Trade and other receivables	106.2		103.1
Prepayments	21.3		19.2
Cash and cash equivalents	158.2		139.6
Taxation	-		0.1
<b>Total Assets</b>	<b>823.5</b>	+ 7	770.6
<b>Total Equity</b>	<b>699.0</b>	+ 5	667.7
<b>Non-current liabilities</b>	<b>60.7</b>		53.4
Deferred Tax	60.7		53.4
<b>Current Liabilities</b>	<b>63.8</b>		49.5
Trade and other payables	59.2		45.1
Borrowings	-		1.2
Taxation	4.6		3.2
<b>Total Equity &amp; Liabilities</b>	<b>823.5</b>		770.6

R mil	30 June 16	% Change	30 June 15
<b>CONDENSED STATEMENT OF COMPREHENSIVE INCOME</b>			
<b>Continuing operations</b>			
Revenue	499.4	+ 0	498.0
Other income	2.7		2.6
Operating costs	(432.0)		(408.3)
Associated company profit/(loss)	9.2		(4.3)
<b>Profit from operations</b>	<b>79.3</b>	- 10	88.0
Net interest	17.5		13.1
<b>Net profit before tax</b>	<b>96.8</b>		101.1
Taxation	(23.3)		(29.1)
<b>Total profit - continuing operations</b>	<b>73.5</b>	+ 2	72.0
<b>Discontinued operations</b>			
Profit on disposal of subsidiary	-		194.1
Net profit before tax	-		12.2
Taxation	(8.0)		(43.0)
<b>Total profit - discontinued operations</b>	<b>(8.0)</b>		163.3
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF PARENT</b>	<b>65.5</b>	- 72	235.3
<b>Earnings &amp; diluted earnings per share (c)</b>			
Earnings & diluted earnings per share (c)	79.20	- 72	285.28
- continuing operations	88.86		87.28
- discontinued operations	(9.66)		198.00

#### CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Retained Earnings	Treasury Shares	Share Based Payments	Total Equity
30 June 14	21.5	469.6	(31.6)	0.4	459.9
Comprehensive Income	-	235.3	-	-	235.3
Dividends	-	(28.8)	-	-	(28.8)
Disposals	-	-	1.4	-	1.4
Other	-	0.3	-	(0.4)	(0.1)
30 June 15	21.5	676.4	(30.2)	-	667.7
Comprehensive Income	-	65.5	-	-	65.5
Dividends	-	(34.2)	-	-	(34.2)
<b>30 June 16</b>	<b>21.5</b>	<b>707.7</b>	<b>(30.2)</b>	<b>-</b>	<b>699.0</b>

	30 June 16	%	30 June 15
		Change	
<b>HEADLINE EARNINGS (R mil)</b>			
Earnings attributable to parent:			
<b>Continuing operations</b>	73.5		72.0
Disposal of assets	(0.2)		-
- gross	(0.2)		-
- tax	-		-
<b>Headline earnings - continuing operations</b>	73.3	+ 2	72.0
<b>Discontinued operations</b>	(8.0)		163.3
Disposal of assets	8.0		(154.3)
- gross	-		(194.1)
- tax	8.0		39.8
<b>Headline earnings - discontinued operations</b>	-		9.0
<b>Headline earnings (R'mil)</b>	73.3	- 10	81.0
<b>HEADLINE EARNINGS PER SHARE (HEPS)</b>			
Earnings attributable to parent:			
<b>Continuing operations</b>	88.86		87.28
Disposal of assets - net of outside interests	(0.11)		0.05
<b>HEPS - continuing operations (cents)</b>	88.75	+ 2	87.33
<b>Discontinued operations</b>	(9.66)		198.00
Disposal of assets - net	9.66		(187.11)
<b>HEPS - discontinued operations</b>	-		10.89
<b>Basic &amp; diluted headline earnings (c)</b>	88.75	- 10	98.22

## CONDENSED SEGMENTAL ANALYSIS

	Plastic Packaging	Beverages	Property	Unallocated/ Eliminations	Total
<b>2016</b>					
<b>Continuing Operations</b>					
Revenue	495.1	-	4.3	-	499.4
Intersegment revenue	-	-	17.0	(17.0)	-
Other income	5.0	-	-	(2.3)	2.7
Expenses	(443.5)	-	(5.5)	17.0	(432.0)
Share of profit of associate	-	9.2	-	-	9.2
Operating income	56.6	9.2	15.8	(2.3)	79.3
Net finance income	17.5	-	-	-	17.5
Taxation	(18.9)	-	(4.4)	-	(23.3)
Profit for the year - continuing operations	55.2	9.2	11.4	(2.3)	73.5
<b>Discontinued Operations</b>					
Profit - discontinued ops	-	-	-	-	-
Taxation	-	(8.0)	-	-	(8.0)
Profit for the year - discontinued operations	-	(8.0)	-	-	(8.0)
Attributable to parent	55.2	1.2	11.4	(2.3)	65.5
Total assets	508.2	279.6	78.0	(42.3)	823.5
Total liabilities	125.7	47.8	4.4	(53.4)	124.5
<b>2015</b>					
<b>Continuing Operations</b>					
Revenue	493.9	-	4.1	-	498.0
Intersegment revenue	-	-	16.0	(16.0)	-
Share of loss of associate	-	(4.3)	-	-	(4.3)
Other income	4.7	-	-	(2.1)	2.6
Expenses	(418.8)	-	(5.5)	16.0	(408.3)
Operating income	79.8	(4.3)	14.6	(2.1)	88.0
Net finance income	12.7	-	0.4	-	13.1
Taxation	(24.9)	-	(4.2)	-	(29.1)
Profit for the year - continuing operations	67.6	(4.3)	10.8	(2.1)	72.0
<b>Discontinued Operations</b>					
Disposal of subsidiary	-	194.1	-	-	194.1
Profit - discontinued ops	-	12.2	-	-	12.2
Taxation	-	(43.0)	-	-	(43.0)
Profit for the year - discontinued operations	-	163.3	-	-	163.3
Attributable to parent	67.6	159.0	10.8	(2.1)	235.3
Total assets	464.4	270.7	69.4	(33.9)	770.6
Total liabilities	96.0	39.8	7.0	(40.0)	102.8

**CONDENSED STATEMENT OF CASH FLOWS**

	30 June 16		30 June 15
<b>Operating Activities</b>	<b>52.6</b>		42.0
Profit before tax	96.8		307.7
Non-cash items	14.50		(164.6)
Working capital changes	(1.9)		(44.3)
Taxation paid	(22.5)		(28.2)
Dividends paid	(34.3)		(28.6)
<b>Investing Activities</b>	<b>(32.9)</b>		(17.2)
Property plant and equipment	(51.1)		(27.7)
Disposal of subsidiary	-		4.8
Proceeds on disposal of assets	19.6		
Loan repayments	(0.3)		5.7
Advance payments	(1.1)		-
<b>Financing Activities</b>	<b>(1.1)</b>		(11.4)
Borrowings	(1.1)		(12.9)
Treasury shares - disposals	-		1.5
<b>Net Cash Flow</b>	<b>18.6</b>		13.4
Opening balance	139.6		126.2
<b>Closing balance</b>	<b>158.2</b>		139.6
Comprising:			
Cash & cash equivalents	158.2		139.6
<b>RELATED PARTY TRANSACTIONS</b>			
Subsidiary of associate:			
Quality Beverages 2000 (Pty) Ltd			
<i>Revenue</i>	63.7		9.1
<i>Rental income</i>	4.3		0.3
<i>Finance income</i>	6.1		0.5
Comparative figures are for one month.			
	<b>30 June 16</b>	%	30 June 15
<b>ADDITIONAL INFORMATION</b>		Change	
Ordinary dividend/share paid (c)	41.40		35.00
Ordinary dividend/share proposed (c)	36.80	- 11	41.40
Basic dividend cover (times)	2.41		2.10
Weighted shares in issue (mil)	82.799		82.481
Capital expenditure (Rmil)	51.06	+ 55	32.92
Capital commitments (Rmil)	14.40	+ 114	6.74

**CEO'S COMMENTARY**

The year under review can be summarised as a year of implementations. The Bowler Group was restructured while assisting with the new national beverages group SoftBev.

With shareholder approval in 2015, a significant blowing operation business of Plastics PET Division was transferred into SoftBev (as per the BBPA terms) while simultaneously balancing lost activities at Bowler Plastics with a drive for new business activations. As noted in our recent trading statement, the sale of Quality Beverages in the previous financial year and the fact that the resulting profit on disposal will not reoccur in the current financial year, had a once-off correcting effect on our earnings per share.

Disruptions prevention and shareholder value preservation remained foremost considerations along with employment security. A reinvigorated and strategically focussed Bowler Metcalf in the South African Packaging environment formed the key objective. This all in response to the increasingly uncertain and volatile business conditions both locally and globally.

The presentation format of this report does not fully give credit to the achievements by the business in managing the multitude of complexities within the timeframe pressures of this endeavour. In scenario planning terms, I am very pleased that we travelled the high road in 2016.

## **Continuing Operations**

The local filling industries and the closely associated packaging industry have been majorly challenged by the combined effects of the collapse of the oil price, volatility in the financial markets the currencies, weakening demand in South Africa, cash flow challenges in the surrounding regions, and hesitant collaborative problem-solving approaches with government and labour. Raw material volatility had a direct impact resulting from some of these dynamics. Yet, against these realities and the backdrop of the aforementioned business structural changes, it is with pride that Bowler Plastics can report an unchanged topline performance during this year. Replacement business made up a staggering 24% of production activity in the product offerings from prior year with sustainable long-term business and stable margins. A R51mil capex implementation supported numerous new technologies. The majority of these activities came on line during the year with good growth for 2017 and beyond programmed.

Additional incidental business building operations cost were linked to the doubling in capacity of the Gauteng plant, with the addition of a PET plant, high speed moulding equipment and various downstream, value add solutions. Manufacturing in Durban ceased in favour of an expansion in warehouse and distribution capacity for the KZN region. Investment in advanced moulding equipment in Cape Town continued while a dedicated facility in Ottery was established to further the engineering ability of Bowler in packaging solutions, standardisation of equipment, product optimisation and skill development. All these developments while having long-term benefits kept the bottom-line at bay.

The late delivery, by an international machinery supplier, of a critical filling line component triggered delays and caused complexities in the commissioning of the line by SoftBev, thereby straining all parties involved. All resulting stock-out claims were settled in this financial year. The project will be finalised later in 2016.

High activity levels will strain manufacturing operations during 2017 as many projects settle into full year production. Benefits from the economies of scale created and vigorous focus on Operational efficiencies should be evident in the next period.

The demand for Bowler Plastic's service model, positions the company particularly well in the current SA custom packaging sector and will serve the business well for the next phase of its development.

Finally, the industry awarded Bowler the 2015 SA Goldpack Trophy for its innovative packaging solution in digital printing amongst two further category awards. This bears testimony to the nature of the solutions-driven focus of the business in a time when South Africa needs to find its rightful place in the competitive global business environment.

## **Associate company**

The Bowler Metcalf team continued with close links to the management team of SoftBev during the business forming period of 2016. From the outset, timeframes for project implementations were ambitious. Consequently, a delayed readiness for the Pepsi business, a delayed effectiveness of the production ability of the Western Cape operation and a delayed start-up of Capri Sun all contributed to lower than expected performance for the first year. Credit however to the new national team of SoftBev for protecting the business brands through effective contingency measurements. These inevitable and other incidental infrastructural costs have impacted the bottom line for 2016.

Whilst it is commendable of the SA Government to promote awareness to health risks from sugar consumption, the proposed approach of a consumer tax of 20% (SSB tax) targeting the beverages industry specifically, must in my opinion be seriously questioned. The financial and employment impact of such an approach will be far reaching to the industry and the economy as a whole. This view is shared by BEVSA who has engaged with the government in reviewing this proposal (the submission is available on [www.bowlermetcalf.co.za](http://www.bowlermetcalf.co.za) ). Clearly the entire industry is faced with a challenge and with various possibilities available, the dynamics will provide many interesting developments.

Despite this, the seasoned SoftBev team is focussed on extensive penetration strategies for the key brands Pepsi, Coe-ee, Jive, Capri-Sun, Reboost (energy drink) on a national scale. The growth of business in Gauteng necessitated the investment of new capacity in excess of R 80mil to be commissioned later this year. The business long-term plans remain on track.

## Conclusion

Gratifyingly the objectives for both business have visibility of being met in the near future. In the current period of instability I am honoured to be partnered with strong and focussed teams of competencies whom I thank for their support.

## 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 SAICA Financial Reporting Guides as issued by the Accounting Practices Committee. They contain the information required by IAS 34 Interim Financial Reporting and have been prepared in the manner required by the Companies Act and the Johannesburg Stock Exchange Listings Requirements.

The accounting policies and methods of computation applied in the preparation of the results are consistent with the those applied in the audited annual financial statements for the year ended 30 June 2016.

This condensed report has been prepared using the same accounting policies and methods of computation as used in the audited annual financial statements from which the condensed report is extracted, and should be read in conjunction with the annual financial statements.

This results announcement, itself not audited, is extracted from the audited Annual Financial Statements (AFS). The AFS, together with the unqualified audit report of the company's auditors, Mazars, is available for inspection at the company's registered office. 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 extracted from the underlying audited AFS.

## RESTATEMENT

Following the sale of the beverage segment in 2015 and in keeping with our peers in the plastic packaging sector, the statement of comprehensive income has been restated on a "by function" basis to better express the group's operations. The comparative figures for 2015 have consequently been restated as follows:

<i>Operating costs (Rmil)</i>	Restated	2015
Cost of sales	355	-
Operating costs	53	-
Raw materials and other operating costs	-	243
Staffing costs	-	116
Rental and property finance	-	2
Depreciation	-	20
Maintenance	-	14
Transport	-	13
	<hr/>	<hr/>
	408	408

## TREASURY SHARES

There was no change to the holding of treasury shares.

## **CASH DIVIDEND DECLARATION**

A final gross cash dividend, as defined by the Income Tax Act, of 18.4 cents per share ("cps") for the year ended 30 June 2016 (2015: 23.0 cps) has been declared and is payable to shareholders on Monday, 31 October 2016. The last day to trade will be Tuesday, 25 October 2016, the list date is Wednesday, 26 October 2016 and the record date will be Friday, 28 October 2016. Share certificates may not be dematerialised or re-materialised between Wednesday, 26 October 2016 and Friday, 28 October 2016, both days inclusive. Directors confirm that the solvency and liquidity test is satisfied at the date of this report. The test will be performed again at the payment date.

This dividend will be made from income reserves. The gross dividend is 18.4 cps. Dividend Withholding Tax (DWT) is 15%. The net local cash dividend to shareholders liable for DWT will therefore be 15.6400 cps.

Number of shares in issue at the date of declaration is 88 428 066 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.

## **COMPANY TAX NUMBER**

9775130710

## **ANNUAL REPORT**

The company is preparing the Annual Report and will announce details of the Annual General Meeting in due course.

B.J. Frost (Non-Exec Chairman)  
P.F. Sass (Chief Executive Officer)  
Cape Town  
26 September 2016

Prepared by: LV Rowles CA(SA)

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## **REGISTERED AUDITOR**

Mazars - Partner Jaco Cronje - Registered Auditor  
Mazars House, Rialto Road,  
Grand Moorings Precinct, Century City, 7441

## **SPONSOR**

Arbor Capital Sponsors (Pty) Ltd  
Ground floor, Woodmead North Office Park  
54 Maxwell Dr, Woodmead, 2157

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